Austria ... Sch. 18	Indonesia .. Rp 2500	Portugal ... Esc 80
Bahrain .. Din.0.650	Italy ...... L 1300	S. Arabia .. Rls 6.00
Belgium ... BFr.38	Japan Y550	Singapore . S$ 4.10
Canada ... C$2.00	Jordan ... Fils.500	Spain .... Pta 110
Cyprus ... C£0.80	Kuwait ... Fils.500	Sri Lanka ... Rup 30
Denmark .. Dkr.7.25	Lebanon ... £L 8.00	Sweden .. Skr 6.50
Egypt .... E£1.00	Luxembourg . LFr.38	Switzerland SFr 2.20
Finland .. Fmk 6.00	Malaysia .. Rm 4.25	Taiwan ... NT $85
France .. FFr. 6.00	Mexico .. Pes. 300	Tunisia .. Din 0.600
Germany . DM 2.20	Morocco .. Dh 6.00	Turkey .... L 210
Greece ..... Dr 70	Netherlands . Fl 2.50	U.A.E. ... Dh 6.50
Hong Kong . HK$ 12	Norway .. Nkr. 8.00	U.S.A. $1.50
India .... Rup. 15	Philippines . Pes. 20	

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FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 29,537 Wednesday January [illegible] 1985 D 8523 B

Israel's economic dream can no longer be afforded, Page 11

World news

Reagan revises economic forecasts

The Reagan Administration is revising its economic forecasts to project lower levels of inflation and lower interest rates in 1986.

Although the reduction in the inflation forecast will have no significant direct impact on the outlook for the budget deficit, the lowering of the interest-rate projection is estimated to save the Government some $10bn in 1986.

The budget message that President Ronald Reagan will send to Congress at the beginning of next week is expected to project a deficit for 1986 of about $178bn, on the optimistic assumption that cuts in federal spending of $51bn will be approved. Page 4

Priest's trial demand

Prosecution demanded the death sentence for security police Captain Grzegorz Piotrowski, alleged to have led the kidnap and murder of pro-Solidarity priest Jerzy Popieluszko. Sentences of 25 years were sought for three other security officials. Page 2

Banker charged

Hans Friderichs, the former West German Economics Minister and chief executive of Dresdner Bank, is facing an additional charge of tax evasion in connection with the country's Flick political bribery affair. Page 2

Thatcher rejected

Oxford University voted against granting British Prime Minister Margaret Thatcher an honorary degree in civil laws. The Congregation, the university's parliament, voted 738–319 against the proposal, which marked a break in a 40-year-old tradition of granting honorary doctorates to government heads with Oxford degrees.

Collapse averted

Austria's coalition government averted a threat to its survival by accepting a public apology from Defence Minister Friedhelm Frischenschlager, who is at the centre of controversy over his reception of a Nazi war criminal. Page 2

Gelli funds decision

A Swiss court in Lugano rejected a request by the lawyers of Italian financier Licio Gelli to release funds frozen in Switzerland after Gelli's arrest in September 1982.

Rebels kill 32

Angolan anti-government rebels killed 32 civilians in an attack on a village near the capital, Luanda, Portuguese state radio said.

Break in fighting

The Government of El Salvador and the country's guerrilla leaders agreed to a break in fighting during a national vaccination campaign for 400,000 children.

N-ban pledge

New Zealand's Prime Minister David Lange said he would stick to the ban on nuclear ships or weapons despite increasing pressure on his Government. Page 3

Guerrillas end fast

Three urban guerrillas on hunger strike in West German jails have broken their fast after eight weeks.

Priests to be armed

Five Sikh High Priests in the Indian holy city of Amritsar have been given permission by local authorities to carry firearms to protect themselves against possible attack by extremists. A Sikh leader was wounded in Amritsar earlier this month.

Business summary

Late surge takes Dow to record high

WALL STREET: A wave of buying in the last half hour pushed U.S. share prices to new peaks yesterday, with the Dow Jones industrial average surging past its November 1983 peak to close at a record high of 1,292.62, a gain of 14.79 on the day. Section III

HANSON TRUST, British-based industrial holding company, failed in its £170m ($189m) bid to take over Powell Duffryn, UK distribution and storage group. Page 12

STERLING showed a slight improvement in London, gaining 35 points against the dollar to close at $1.1145. It was also better at DM 3.5425 (DM 3.5175), FFr 10.82 (FFr 10.7625), SwFr 2.9725 (SwFr 2.9575) and Y283.75 (Y282.50). The pound's exchange index closed at 70.8, a rise of 0.3. In New York, it closed at $1.117. Page 35

DOLLAR was firm in London, rising to DM 3.176 (DM 3.167), FFr 9.7025 (FFr 9.68), SwFr 2.666 (SwFr 2.662) and Y254.30 (Y254.15). On Bank of England figures, the dollar's trade-weighted index closed at 146.2 from 146.3. In New York, it closed at DM 3.1735, SwFr 2.663, FFr 9.695 and Y254.25. Page 35

COPPER prices rose to their highest level, in sterling terms, for nearly five years on the London Metal Exchange, encouraged by a strong upward trend in New York. Cash higher-grade copper added £35 to £1,267.5 a tonne. Page 32

GOLD rose $4.75 on the London bullion market to $302.75. It also improved in Zurich to $303.15. In New York, the Comex February settlement was $301.80. Page 34

LONDON: Equities plunged on interest-rate fears although gilts managed gains. The FT Ordinary index fell a further 16.7 to 961.2. Section III

TOKYO: Biotechnology issues were sought in brisk trading and the Nikkei-Dow market average gained 44.21 to 11,843.07. Section III

SOUTH AFRICA introduced tighter controls over foreign exchange markets and bank lending. The aim is to limit speculative trading, which the authorities blame for much of the rand's recent decline. Page 3

JAPAN and the U.S. agreed to pursue separate studies on four market areas in which the U.S. claims Japan unfairly discriminates against U.S. goods and services. Page 4

INTERNATIONAL Monetary Fund team left Ankara after two weeks of talks with the Turkish Government amid reports that Turkey and the IMF might be planning another one-year stand-by agreement.

HONG KONG director of trade Hamish Macleod left for Washington to persuade the U.S. to abandon new textile import regulations. Page 4

RANK ORGANISATION, UK leisure and industrial group, raised pre-tax profits by 52 per cent to £105.3m ($117m) in the year to end-October, on turnover down from £742.9m to £734.7m. Page 16; Lex, Page 12.

COMMODORE INTERNATIONAL, U.S. home computer group, suffered a 94 per cent profits decline in the second quarter to $3.2m. Page 13

U.S. STEEL turned round last year to net profits of $493m, after a 1983 loss of $1.1bn. Page 13

DEUTSCHE BP is closing two loss-making refineries in north Germany, with the loss of up to 1,000 jobs. Page 13

AKZO, Dutch chemicals group, raised profits by 75 per cent to a record Fl 750m ($208.3m) last year. Sales were 10 per cent ahead at Fl 16.54bn. Page 13

We apologise for any typographical errors in today's edition arising from industrial action by members of the National Graphical Association in the proofreading room in London.

Lathière expected to leave in shake-up at Airbus

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT, IN LONDON

TOP management changes at Airbus Industrie, the four-nation European airliner manufacturing group, are likely within the next few weeks.

The consortium's two principal architects, M Bernard Lathière, president and chief executive since 1975, and M Roger Beteille, executive vice-president and general manager, are both leaving, Herr Franz Joseph Strauss, Bavarian Premier and chairman of the Airbus Industrie supervisory board, indicated yesterday in Paris.

M Lathière, 56 in March, is expected to go next month when his second five-year term as president ends. M Beteille, 64, is expected to retire in the spring for medical reasons.

M Lathière is understood to feel that, after 10 years as chief executive, it is time for a change. He has worked at punishing pace, travelling worldwide in a fierce battle to win sales against competition from his arch-rival, Boeing of the U.S.

His most significant achievement has been the launching of the A-320 150-seat airliner last year, after several years of lobbying governments.

M Lathière had a distinguished career in the French civil service, especially in public works and transport, before being appointed Directeur-Adjoint de l'Aviation Civile in 1968. He ran the French part of the Concorde programme, and became head of Sud-Aviation (later Aérospatiale), before becoming president of Airbus in 1975. He is still Inspector-General of Finances in the French civil service.

He may remain in the government service in another post, or may take up a top post in industry.

M Beteille was an engineer with Sud-Aviation and Aérospatiale before joining the newly created Airbus organisation in 1970. He has been in ill health for some time.

A quieter personality than the ebullient M Lathière, M Beteille has been primarily responsible for knitting the multinational Airbus team together, and ensuring that the sales won by M Lathière were translated into aircraft leaving the production line on time and to specification.

To date, Airbus has won firm orders for 411 aircraft (A-300s, A-310s and A-320s) with commitments for another 43 aircraft, and a considerable additional number of options. Airbus is planning to raise its production rate from three to four or more aircraft a month by 1986, to meet last year's big inflow of demand.

The shareholders of Airbus Industrie are Aérospatiale of France, and Deutsche Airbus (including Messerschmitt-Bölkow-Blohm), each with 37.9 per cent, British Aerospace with 20 per cent and Casa of Spain with 4.2 per cent. Fokker of the Netherlands and Belairbus of Belgium are associates, sharing in the work but having no financial stake in the venture.

The Airbus supervisory board will select replacements for M Lathière and M Beteille soon.

Both men are regarded as difficult to replace, but the board can choose from several candidates in the four countries involved.

Thatcher faces censure vote over weak £ and high rates

BY PETER RIDDELL AND PHILIP STEPHENS IN LONDON

MRS MARGARET THATCHER's Government faces a parliamentary motion of censure for its "gross mismanagement of the British economy." The Conservative Prime Minister and Mr Nigel Lawson, Chancellor of the Exchequer, were forced on to the defensive in the House of Commons yesterday over the further sharp rise in UK interest rates and the weakness of sterling.

The opposition Labour Party's censure motion, which will be debated tomorrow, is the first since well before the 1983 general election. The Labour leadership's decision to raise the political stakes by calling such a debate reflects its belief that the party may be able to regain the political initiative after the damage caused by the miners' strike.

The motion follows a 2 percentage-point rise in British banks' base lending rates on Monday. UK interest rates have been raised three times in the last three weeks and are now at their highest level for three years.

Sterling, meanwhile, registered small gains against other leading currencies yesterday after Monday's sharp rise in interest rates, but shares suffered further heavy losses on the London Stock Exchange.

Trading in the pound remained extremely nervous, however, ahead of a conclusive outcome to the Geneva talks of the Organisation of Petroleum Exporting Countries (Opec). Sterling's rise was also limited by a further surge in the dollar's value in late European trading.

Foreign exchange dealers said the increase in UK interest rates had discouraged renewed speculation against sterling, but the outlook remained uncertain until prospects for oil prices became clearer.

Talks between Britain's National Coal Board and the National Union of Mineworkers ended with the board expressing little optimism that there would be a quick settlement to the pit dispute. Page 7.

During yesterday's exchanges in the House of Commons, Mrs Thatcher and Mr Lawson faced a strong and effective attack by Labour. Mr Neil Kinnock, the Labour Party leader, said there was now "a crisis of confidence" as a result of government bungling of economic policy.

He challenged Mrs Thatcher to say whether she intended to change the Government's policy in view of the failure of its recent moves.

Similarly, Mr Roy Hattersley, Labour's deputy leader and the Shadow Chancellor, said that Mr Lawson should remove some of the uncertainty that was still prejudicing the pound and interest rates by admitting that the policy of allowing the pound to float freely had been abandoned. Labour believes the Government must concede that there has been a change of policy away from a free-market approach towards intervention if the markets are to settle down.

Mr Lawson argued that the Government's policy was that "the sterling exchange rate is always taken into account in assessing the correct financial policy at the time."

Continued on Page 12

Sterling decline boosts UK export prospects; Lex, Page 12; London stock market report, Page 27; Money markets, Page 33

Opec talks expected to produce agreement

By Dominic Lawson in Geneva

MINISTERS of the Organisation of Petroleum Exporting Countries (Opec) began a further round of talks yesterday evening in Geneva, confident of reaching an agreement that would bring Nigeria back into the Opec pricing fold and also offer the UK an opportunity to realign its oil prices with the Organisation's.

Under proposals apparently supported by 10 of the 13 Opec member-states, Nigeria will accept an official price for its Bonny Light crude of $28.65, while Arabian Heavy would stay at $26.50.

To complete the price differential package, the Opec marker crude Arabian Light would fall to between $27.90 and $28 a barrel from its current level of $29. Iran and Libya were maintaining great opposition to a cut in the marker last night, and ministers were considering several ways to avoid unnecessary ructions over the issue. They may abandon the concept of a marker crude altogether or adopt a "token" marker of $29 that would refer to no actual crude stream.

This seemingly paradoxical policy has been adopted by Opec once before, in 1980.

The proposals represent the skeleton of a system that Opec ministers desperately hope will end the chaos in official world oil prices which erupted in October when the UK cut its official price from $30 to $28.65. The Nigerians responded by cutting their prices by up to $2, including a reduction in the price of Bonny Light from $30 to $28.

The Nigerians are now willing to raise their official price to $28.65. The figure is the last official price agreed by the British National Oil Corporation. BNOC has yet to offer suppliers a price for January, although it has sold all its January and February crude oil entitlement on the spot market at an average price of about $27. Opec's hope is that the UK will clutch at this olive

Continued on Page 12

Oil companies return to Ecuador, Page 4; Commodities, Page 32

Paris lifts petrol price controls after court ruling

BY PAUL BETTS IN PARIS

THE FRENCH Government lifted all controls on petrol prices last night after a ruling by the European Court of Justice in Luxembourg that the existing French pricing system contravened the Treaty of Rome.

The decision to lift price controls as from midnight is expected to intensify the already fierce discount war at French petrol pumps. Anticipating the Government's move, all the main French petrol retailers have started offering big discounts at many pumps in recent days.

French petrol prices have until now been fixed by a complicated formula that establishes a maximum price. Retailers are then allowed to offer discounts of as much as 18 centimes for four-star petrol and 17 centimes for lower grades.

However, independent retailers led by the Leclerc supermarket chain have challenged the regulations and offered illegal discounts of as much as 30 centimes. The Leclerc chain also took the issue to the European Court, arguing that the French formula contravened the Treaty of Rome.

The decision to lift petrol price controls was welcomed by the big oil companies operating in France, which had been calling for complete liberalisation of prices in the face of the increasing competition from independent retailers.

M Michel Leclerc said last night that he expected to see the price of four-star petrol drop to FFr 5 a litre in coming weeks from its current level of between FFr 5.70 and FFr 5.84 a litre.

The Government decided yesterday, however, to maintain controls on domestic fuel prices. That appears to reflect its preoccupation with freeing home fuel prices at a time of heavy consumption because of the cold winter spell. That would clearly have put upward pressure on home fuel prices.

M Pierre Bérégovoy, the Socialist Finance and Economy Minister, said yesterday he favoured any move that helped to reduce prices. He added that he supported the liberalisation of industrial prices as long as fair competition was guaranteed.

Under the new system, French oil companies will simply have to submit their petrol price schedules to the Finance Ministry. However, the Government intends to introduce several safeguards to protect consumers from the risk of possible sharp increase in petrol prices.

Increases at petrol stations will have to be held down to a maximum of between 5 per cent and 10 per cent of the average price of petrol in France. At the same time, the Government intends to hold down petrol prices in rural or mountain areas distant from refineries.

The liberalisation of pump prices in France is expected to lead to a further shake-up in French petrol distribution.

Paul Cheeseright in Brussels adds: The European Court of Justice did not contest the right of the French Government to fix minimum petrol prices, but it said the way prices were set was contrary to the clause of the EEC treaty prohibiting quantitative restrictions on imports or measures with an equivalent effect.

Short of defying the highest court in the EEC, the French Government was left with no option but to scrap or change its system of controls.

Plan to cut surtax charge, Page 12

EEC farm spending will exceed resources by $1.4bn

By Quentin Peel in Brussels

THE COST of the European Community's Common Agricultural Policy (CAP) will increase to Ecu 20bn ($14bn) in the current financial year, despite current efforts at reform, EEC Foreign Ministers were warned yesterday.

The figure is Ecu 2bn ($1.4bn) more than the finance available and some Ecu 700m more than the budget estimate made by the European Commission last year.

In addition to that increase, EEC member states still have to find some way of financing the promised Ecu 1bn reduction in Britain's budget contributions, supposed to be met during 1985.

The extent of the Community's budget plight was outlined to the Council of Ministers in Brussels by Mr Henning Christophersen, the former Danish Finance Minister and present EEC Budget Commissioner.

It means that member states will almost certainly have to be asked for another round of special payments into the Community budget, despite widespread opposition to such financing, particularly in London.

The Foreign Ministers yesterday failed to make much progress in disentangling their complex budget problems. Those include the lack of any proper budget for the current year – since the draft was rejected by the European Parliament; a need to finance the yawning deficit; and the need for an agreement on when to begin paying increased long-term contributions to Community finances.

Mr Christophersen warned them that the present ad hoc financing arrangement would begin to cause serious difficulties in parts of the farm budget – and for the EEC food aid programme – by April.

He said the ministers must agree on how to finance the inevitable deficit before the Commission could produce a new draft. Officials fear that it might be June before the whole budgetary process can be completed again.

However, the ministers yesterday failed to agree on ways of providing the extra cash and seriously questioned the Commission's estimates of farm spending.

Sir Geoffrey Howe, the British Foreign Secretary, said: "We will look at every extra Ecu (in the budget) with the utmost care," an implicit warning of a renewed round of agonising budget pruning before the Ten can reach agreement.

Continued on Page 12

Race to meet accession, Page 2

Washington may block AT&T microchip venture in Spain

BY DAVID WHITE IN MADRID

A $200m microchip-producing venture planned by American Telephone & Telegraph (AT&T) and other high-technology investment projects in Spain are in jeopardy unless Washington secures an agreement from Madrid on controlling the re-export of material and technology to East bloc countries.

Export from the U.S. of both equipment and knowhow for the projects has to be approved by the Department of Commerce, whose verdict can be challenged by the Defence Department and put to an interagency review board.

Informed sources said yesterday there was a "reasonable possibility" that the U.S. would refuse the necessary export licences in the absence of a U.S. agreement with Spain.

Spain does not belong to Cocom, the co-ordinating committee of Western countries plus Japan, which vets sales to East bloc countries. That has led the U.S. to press Spain for a bilateral arrangement.

The U.S. State Department pushed its case last June for a pact on the re-export of "dual-use" technology that might have military applications in Communist countries. In September it presented a formal request to Madrid with a draft agreement. The Spanish Cabinet has discussed the agreement, and the U.S. is hoping for a formal decision before President Ronald Reagan visits Spain in May.

The U.S. wants re-export controls to be built into Spanish laws to reinforce its own legal powers over the U.S. companies that set up facilities in Spain.

AT&T signed a protocol agreement last year to establish a microchip manufacturing base in Spain in conjunction with the semi-state Compañia Telefónica Nacional de España, using what is considered "leading edge" technology. Both the product 1.75 micron line separation custom-made chips and the design software are regarded as "highly sensitive."

The issue also affects a planned $20m fibre optics plant which the Spanish are negotiating with Corning Glass Works of the U.S. Both projects are key elements in an ambitious electronics programme being supported by the Spanish Government.

Telefónica, a partner in both projects, said, however, that negotiations on the microchip plant were going ahead on schedule and that it hoped for a definitive agreement soon.

The six-month delay in dealing with AT&T's export licence application in the U.S. is not considered abnormal.

Background, Page 2

CONTENTS

EUROPEAN NEWS

EEC sets new deadline for enlargement accord

BY QUENTIN PEEL IN BRUSSELS

SPAIN, PORTUGAL and the EEC member states are facing a hectic timetable over the next two months to complete negotiations on the enlargements of the Community, after the failure of their foreign ministers this week to make any appreciable progress on the outstanding issues.

The latest rounds of abortive talks in Brussels foundered on the continuing differences both within the EEC and with the applicant states on agricultural trade, fisheries, and proposed restrictions on labour mobility affecting Portuguese workers.

Sig Giulio Andreotti, Italy's Foreign Minister and president of the EEC Foreign Minister's Council, insisted, however, that all were agreed on the "absolute necessity" of completing the talks before the European summit meeting at the end of March.

The European Commission and national officials based in Brussels now have just three weeks to produce a Community consensus on the outstanding issues before the next Council of Ministers meeting. A Commission paper has been promised for the end of next week.

Sig Andreotti said the ministers might decide to extend their February meeting to three days in order to make progress. He also suggested an extra council meeting in early March, before the regular meeting in the middle of the month.

"With three such meetings it must be possible to reach a conclusion," he said.

"We have decided that negotiations both with Spain and Portugal must be completed before the end of the March European Council. It means a great effort is going to have to be made, but it is feasible."

Sir Geoffrey Howe, the British Foreign Secretary, said too much detail in the negotiations had been left for the ministers to decide, making it impossible to reach conclusions in the time available.

The ministers have already missed two self-imposed deadlines for finalising the terms of Spanish and Portuguese membership – by the end of last September, and then by the end of last year.

Sig Giulio Andreotti

If they fail to agree all the outstanding questions by the end of March, however, the 12 national parliaments are not expected to be able to ratify the accession treaties in time for enlargement to take place on January 1, 1986, the promised date.

W. Europe to discuss joint space projects

By Peter Marsh in London

MINISTERS from 11 West European nations meet in Rome today and tomorrow to decide on the framework for joint efforts in space technology until the end of the century.

At the top of the agenda will be discussion on the part Western Europe should play in the U.S.'s project to build a manned space station by the early 1990s.

The gathering will also consider a set of proposals in satellite and rocket technology which would increase Western Europe's annual budget for co-operative projects in space by 70 per cent in the next five years from its current level of $740m.

This week's meeting is under the auspices of the 11-nation European Space Agency (ESA), a Paris-based co-ordinating body set up in 1975 which is in charge of Western Europe's joint space programmes.

The agency receives its funds directly from governments, with France, West Germany, Britain and Italy being the biggest paymasters. The cash is spent largely in West European industry and in ESA's three research centres in Holland, Italy and West Germany.

ESA officials will put before the gathering a series of ambitious proposals aimed at strengthening Western Europe's role in key areas of space technology. The officials want the ministers to ratify the broad thrusts of these projects – though without committing the individual governments to specific sums of money. The proposals include:

- Joining the U.S. effort to build its manned space station. Western Europe's contribution would be a module called Columbus that plugs into the core of the U.S. orbiting base, to which President Reagan has committed $8bn. The Columbus project, in which West Germany and Italy would play the leading role, would cost $2bn until 1995. The module would contain laboratories for work in zero gravity such as materials processing. Britain could play a supporting role in building a free-flying platform – to carry cameras for observation of the earth – that could be part of Columbus.
- Further development of the Ariane rocket on which Western Europe has already spent about $750m over the past decade. France, which has led the Ariane project to date, would put up the lion's share of the $2bn that the new project would cost. Under the proposals European engineers would build Ariane-5, a new, heavy duty form of the existing versions of the rocket. It would include a powerful cryogenic engine called HM-60 to give extra thrust.
- New efforts in telecommunications and earth-observation satellites. Under discussion will be plans to spend $1.7bn and $1.5bn on these two programmes. ESA would develop new forms of telecommunications satellite – for instance those with their own computer processors so they could act as telephone exchanges in the sky capable of sending signals not only to ground stations but other satellites.

In observation satellites the agency wants to develop spacecraft with new sensors to take detailed pictures of the earth and oceans. The pictures can be used, for instance, for studies of crop growth or to monitor fish breeding areas.

- An increased scientific programme. ESA officials want approval for extra cash for astronomy satellites and probes that would fly to remote parts of the solar system. The programme would cost $1.6bn over 10 years. The most exciting mission would be a remote-controlled trip to the asteroids – a belt of planetary debris between Mars and Jupiter – which would return rock from the asteroids to Earth for analysis.
- Extra cash for technical work in low-gravity laboratories. The agency wants to spend about $200m on experiments in, for example, biological studies in space laboratories such as the European-built Spacelab. The latter is a big aluminium canister packed full of instruments that the U.S. space shuttle takes into orbit for up to 10 days at a time. So far it has made one flight, with three more due this year.
- Work to provide a series of structure to support Columbus. In what ESA planners call the development of "in orbit infrastructure," the agency would spend $1bn over 10 years on extending Columbus, for instance to ensure that it could stay in space independently of the U.S. space station.

Part of the cash could be spent on development of Hermes, a miniature version of the U.S. space shuttle which could carry people and materials between future space complexes and the ground. France, which has proposed Hermes, is eager to see an early start on the development. Other countries think that the project is not immediately essential and could push up overall costs unacceptably.

Hanging over the meeting will be the question of participation in the U.S. space station. Proponents of collaboration argue that if Western Europe fails to become involved, it could miss out in novel areas of technology that are bound to be important early in the next century.

UK space centre, Page 6

WASHINGTON'S RIFT WITH MADRID OVER HI-TECH RE-EXPORTS

U.S. seeks to close Spanish door

BY DAVID WHITE IN MADRID

THE U.S.'s anxiety over allowing high technology industries to set up in Spain stems from the fact that Spain is virtually alone in the Western world in being legally and technically able to re-export sensitive products to the Eastern bloc.

Spain which joined Nato in 1982 and which is due to hold a referendum on membership next year is the only Nato country apart from Iceland not to belong to CoCom, the co-ordinating committee of Western countries, including Japan, which vets sales to eastern bloc countries. Most other Western countries have signed bilateral accords.

Spain is alone with Andorra, Liechtenstein and San Marino among Western European states not to be covered by either type agreement.

The U.S. has recorded numerous instances of what it regards as dual-use technology reaching East-bloc countries via Spain since 1979. Between 10 and 12 Spanish companies are understood to be causing concern. Most are connected to the blacklisted company Suin S.A.

Suin is alleged to have secured licences to import advanced technology items through a variety of subsidiary companies set up in Spain and in France and to have re-sold these items, mainly to Bulgaria.

Four of these companies including Suin itself are subject to U.S. "denial orders," as are companies of the Barcelona-based Piher electronics group, involved several years ago in a deal to set up a semiconductor manufacturing plant in Cuba. The semiconductors, ostensibly for use in consumer products, were regarded at the time by the U.S. as "fairly sensitive." The company is understood to have been seeking its removal from the blacklist.

The U.S. is anxious to reinforce controls in order to maintain a "qualitative edge" over the Soviet bloc in armament technology. The "dual-use" concept covers items which may have civilian applications in the West but which are considered liable to have military applications in the East, where they can bring about short-cuts in research and development.

Both the kind of microchip planned in the AT & T venture and the optical fibres which could be made by Corning Glass are covered in CoCom's agreed list of "sensitive" items.

Spain has in the past offered *ad hoc* guarantees on final destinations in specific instances, but the U.S. insists on an overall agreement. At the centre of the argument is the question of whether the authorisation requirement on re-sale of equipment and technology should be extended to sales of the end-product.

Spanish Foreign Ministry officials describe the U.S. concern as "exaggerated," arguing that genuinely military exports are closely controlled. The U.S. pressure is seen in some Spanish circles as an attempt to restrict Spain's commercial ties with Cuba.

Vienna coalition crisis averted as Defence Minister keeps job

BY PATRICK BLUM IN VIENNA

DR FRED SINOWATZ, the Austrian Chancellor, temporarily defused the crisis that threatened the future of his Government by deciding yesterday to keep on Dr Friedhelm Frischenschlager, his Defence Minister.

Dr Frischenschlager has been at the centre of a row for his actions in greeting a convicted war criminal and former SS officer on his release from an Italian jail last week.

After a lengthy Cabinet meeting yesterday morning, a tired Dr Sinowatz said he was satisfied with Dr Frischenschlager's explanations. The Defence Minister had apologised for his actions and would remain in his job.

The previous day, Dr Norbert Steger, the Vice-Chancellor and leader of the small right-wing Freedom Party, of which the Defence Minister is a member, had threatened to bring down the Government by resigning along with all his Freedom Party colleagues if Dr Frischenschlager was forced to quit.

Dr Sinowatz read out a statement from Dr Frischenschlager, in which the Defence Minister admitted that he had made a serious error. "I am very sorry for my false estimation of the situation, and I can only regret it before you, Herr Chancellor, and the public," he said. "There was nothing further from my mind than to give this the character of an official reception or military welcome," he added.

He said he had acted on humanitarian grounds and reassured the Chancellor that he was "guided in his political behaviour by the principles on which our democratic republic was founded."

Dr Sinowatz said that by this statement Dr Frischenschlager's resignation was no longer a question.

In reply to a question suggesting that his hand had been forced by Dr Steger's threat to pull out of the Government, Dr Sinowatz said: "No, it was not the threat to leave that brought this about, but Dr Frischenschlager's statement." He said that the Defence Minister had done "an excellent job" and that the whole Government recognised the excellent work done by the coalition. "That was the decisive factor," he said.

However, the row is not yet over. The Government will now have to face a no-confidence vote in Parliament on Friday. Many socialists were clearly angered by the Defence Minister's actions and the party could find that several of its members vote against the Government or abstain.

New phase for security talks

BY DAVID BROWN IN STOCKHOLM

THE 35-NATION European Security Conference entered an important new phase at the opening of its fifth session in Stockholm yesterday when the Soviet Union introduced a draft treaty on the non-use of military force.

Detailed counter-proposals are expected from the Nato delegations as early as this week. The conference is now expected to break into the first in-depth negotiations since the talks began a year ago.

Mr Oleg Grinevsky, the Soviet delegate, said he had received instructions from Moscow "to reach an agreement in the very near future." He said the recent improvement in U.S.-Soviet relations has "given an impetus to constructive discussions."

Mr James Goodby, the U.S. envoy, reiterated strong Nato objections to many of the latest Soviet ideas, but sounded a more optimistic note than he had earlier. He said the conference had taken an important step away from polemics and towards "the real pick-and-shovel work."

It might be possible to begin drafting a concluding document as early as the seventh session, which begins this autumn, he said.

The Security Conference has steadily gained momentum since last December, when Nato and the Warsaw Pact broke an 11-month deadlock and agreed to set up "working committees" to consider various "confidence-building measures" aimed at reducing the risk of surprise attack or war in Europe.

Six proposals have now been tabled, including one from the nine neutral and non-aligned states, which played a key role in the formation of working groups. The concluding document will have to be approved by all 35 participating states.

The two major power blocs are still far apart, but there have been signs of movement. The Soviets continue to stress declaratory measures, such as a renunciation of the first-use of nuclear weapons.

The Western allies have refused to discuss a ban on the first use of nuclear weapons. However, Mr Goodby suggested that the principle of non-use of force, which the U.S. has indicated it might be prepared to accept, "could apply to any kind of weapon."

However, Nato will press for new confidence-building measures, which go "significantly beyond the 1975 Helsinki final act," the envoy stressed. These include earlier Western proposals to expand advance notification and exchange of information on military movements, the mandatory presence of observers and adequate means for verification.

W. German carmakers plead for end to pollution confusion

BY JOHN DAVIES IN FRANKFURT

THE WEST GERMAN car industry, which has seen a sharp drop in domestic orders during the last few months, has appealed for an end to wrangling and confusion over tighter environmental rules.

Industry executives claim that uncertainty about the Bonn Government's plans for stricter emission controls has caused motorists to delay purchases of 400,000 cars, leading to a "log-jam" of pent-up demand.

Herr Hans-Erdmann Schoenbeck, president of the Automobile Industry Association (VDA), said everything should be done to remove motorists' fear that they may suffer a handicap in future through buying a car now. There must also be an end to attempts to give motorists "pangs of conscience" about driving by blaming them for environmental pollution.

With motorists unsure about what car to buy, the West German car industry has seen its domestic orders in the last three months of last year drop 20 per cent below the level a year ago, according to the VDA.

Domestic orders in December were as much as 25 per cent down on a year earlier, and the industry has seen no sign of recovery.

The Government decided in September to make tighter emission controls compulsory for new cars from 1989 (and for bigger cars from 1988), and to encourage earlier use of "environment-friendly" cars.

The decision came after lengthy argument which forced Herr Friedrich Zimmermann, the Interior Minister, to abandon his original target date of 1986. There are still question marks over the issue.

The Government this month has tried to remove some uncertainty by agreeing a scale of vehicle tax to give incentives for use of "environment-friendly" cars.

Herr Zimmermann has also arranged talks this week with Sig Umberto Agnelli, the Fiat chief, as part of a campaign to persuade Italy and France to go along with West Germany's anti-pollution plans.

Questioned about union claims, that there was a danger of short-time working in the industry soon, Herr Schoenbeck said the position varied from one company to another. "If one factory sees the need to introduce short-time working because orders have fallen, that doesn't mean that short-time will spread like wildfire to all factories," he said.

Of the main manufacturers in West Germany, Daimler-Benz is known to have been little affected by the latest industry setback, but the trend is being viewed with concern by other companies, including Volkswagen, Ford and Opel.

Predictions for the West German car market this year show wide swings, with the industry seeing a market "potential" of 2.5m cars and a horror scenario of sales falling 600,000 short of this.

Car sales in West Germany fell 1.4 per cent to 2.39m last year. The industry blames most of the setback on environmental controversy, but concedes that it was also due to lack of supplies through the strike last May and June.

Friderichs faces tax charge

BY RUPERT CORNWELL IN BONN

HERR HANS FRIDERICHS, the former Free Democrat (FDP) Economics Minister and chief executive of Dresdner Bank, is facing an extra charge of tax evasion, in connection with West Germany's illicit party political donations scandal.

He thus joins his successor as Economics Minister and fellow FDP member, Count Otto Lambsdorff, in being accused of tax evasion as well as being sent for trial for corruption in the so-called "Flick affair." It is alleged that he took bribes from the giant industrial conglomerate in return for helping authorise DM 800m (£228m) of tax breaks for Flick in the late 1970s and early 1980s.

That trial, in which the third defendant is Herr Eberhard von Brauchitsch, the former senior Flick executive, was to have begun here on January 10. But it was postponed, much to the anger of the defence, in order to allow time for a decision on whether the tax evasion case should be combined with the bribery trial.

No new date has been set for the court proceedings. But clearly, yesterday's development makes it still more likely that the trial will not get under way until late spring or early summer.

Herr Friderichs, meanwhile, has already stepped aside temporarily as chief executive of the Dresdner Bank, the second largest in West Germany, to allow him to concentrate on his defence, whenever he finally comes to court.

Demand for death penalty at Polish trial

By Christopher Bobinski in Torun

A POLISH state prosecutor yesterday demanded the death penalty for one security policeman, and 25 years prison for three others, accused of murdering Fr Jerzy Popieluszko, the pro-Solidarity priest.

At the same time, however, Mr Leszek Pietrasinski launched an attack on the murdered priest in which he suggested that Fr Popieluszko's "extremism" towards government policy was comparable to that of the defendants and had led to the crime being committed.

His attack seems designed to warn the Roman Catholic Church that the Government will keep up its pressure on radical priests to tone down their activities and that the trial does not signify any liberalisation towards the church.

Former Captain Grzegorz Piotrowski, leader of the group accused of carrying out the murder, sat calmly throughout the more than four hours of the prosecution's speeches, his face at times flushing and then turning pale. The stress showed, too, as he clenched his fists when he heard the prosecutor, who had earlier called him a "cold and cruel criminal," demand that he be executed.

Col Adam Pietruszka, Capt Piotrowski's immediate superior in the Interior Ministry who has denied inspiring the murder and then helping cover it up, listened impassively to the demand that he serve 25 years in prison. The prosecution claimed the murder would have been impossible without his aid.

The two other defendants, former Lts Waldemar Chmielewski and Leszek Pekala, sat with heads lowered to hear that they had been "duped" by Capt Piotrowski into going on the kidnap mission, but still deserved 25 years in jail.

The court has still to hear speeches by civil rights lawyers representing the Popieluszko family, who can be expected to react to the prosecutor's attacks on the dead priest and the church. Defence counsel and the defendants themselves also still have to speak.

The prosecution charged that the murder was premeditated and directed against the interest of the state and the policies of General Wojciech Jaruzelski, the Communist party leader, as wel as more directly against General Czeslaw Kiszczak, the Interior Minister.

Mr Pietrasinski said that no one had been found who might have encouraged Col Pietruszka to help the alleged culprits but implied strongly that "the secret services of the capitalist countries" might have blackmailed Capt Piotrowski into plunging ahead with his "political provocation." He stressed, however, that no more senior meber of the Interior Ministry was involved.

In his 45-minute outburst against the church, Mr Pietrasinski claimed that Fr Popieluszko's "extremist activities gave birth to the extremism

Finns repeat record visible trade surplus

By Lance Keyworth in Helsinki

FINLAND last year had a record visible trade surplus and a balanced current account. According to Mr Pekka Vennamo, deputy Minister of Finance, "the economic trend will continue to be relatively favourable in 1985 also."

Last year's foreign trade surplus, the first for seven years, totalled FM8.23bn (£840m), due mostly to the 27 per cent growth of Western exports. Those to the East bloc fell by 13 per cent.

The forest products industry accounted for 37.9 per cent of the export total of FM80.92bn, the metal and engineering sector 35.5 per cent, and the chemicals sector 19 per cent. The Soviet Union kept its place as the principal buyer of Finnish goods, followed by Sweden and Britain.

On the import side, the ranking order was the Soviet Union, West Germany, Sweden and Britain.

FT COMMERCIAL LAW REPORT

Government undervaluation to ICI rivals not an 'aid'

REGINA V ATTORNEY GENERAL EX PARTE ICI

Queen's Bench Division: Mr Justice Woolf: January 25 1985

A FISCAL advantage arising out of statutory provisions created for the purpose of providing assistance to certain oil undertakings is not an "aid" requiring EEC approval if it results from an incorrect valuation of feedstock by the Revenue; but another undertaking will have the necessary standing to proceed against the Government in the UK if it can establish that the approach to valuation was wrong and affected its interests.

* * *

Mr Justice Woolf so held when giving judgment for Imperial Chemical Industries (ICI) on two issues, and for the Government on one issue, in ICI's application for judicial review seeking six declarations that the Government was acting or proposing to act unlawfully by enacting, or proposing to give effect to, section 134 and Schedule 18 of the Finance Act 1982.

Article 92 of the European Economic Community (EEC) Treaty provides: "(1) Save as otherwise provided in this treaty, any aid granted by a member state...which...threatens to distort competition by favouring certain undertakings...shall...be incompatible with the common market."

Article 93: "(1) The Commission shall...keep under constant review all systems of aid... (2) If the Commission finds that aid...is not compatible with the common market...it shall...abolish or alter such aid... (3) The Commission shall be informed...of any plans to grant or alter aid. If it considers that any such plan is not compatible with the common market...it shall...initiate the procedure provided for in paragraph 2. The member state concerned shall not put its proposed measures into effect until this procedure has resulted in a final decision."

* *

HIS LORDSHIP said that at Mossmorran on the Firth of Forth, Esso was building a large ethylene plant which, when operational, would be in competition with ICI's facilities at Wilton, and with BP's plant at Grangemouth. The costs of the venture were being shared between Esso and Shell, who would share the output. There were no other UK ethylene producers.

Ethylene was the raw material for a wide range of petrochemical products. It could be manufactured from various feedstocks. ICI at Wilton used naphtha, but it could also be manufactured using ethane. An ethane cracker required fewer furnaces than naptha, and had a natural cost advantage.

For some years, the Western European ethylene market had been depressed and was still suffering from over-capacity. The problem would persist into the 1990s. ICI was naturally most concerned about the consequence of Mossmorran coming on stream.

Press reports made it clear that by 1981 Esso and Shell were not prepared to go on with the Mossmorran cracker without financial assistance from the Government. ICI feared that it would offer to subsidise Mossmorran.

In an attempt to prevent that, ICI had a series of meetings with the Government at the very highest level. It was of the view, however, that the discussions had not influenced the result. It considered that Esso had received some form of assurance that a sufficiently low inter-affiliate transfer price level had been accepted for taxation purposes to make it worthwhile for the Mossmorran project to proceed. Also, it alleged that the Government had a similar understanding with BP so that a threat of closure at Grangemouth was lifted.

The means by which the Government was proposing to fulfil its commitment to the oil companies was, so ICI contended, through section 134 of and Schedule 18 to the Finance Act 1982. It asserted that the Act required ethane used at Mossmorran and Grangemouth to be undervalued for petroleum revenue tax purposes. The undervaluing would result in less tax being paid, because the higher the value the larger the profit.

The Oil Taxation Act 1975 had introduced petroleum revenue tax. Section 2 set out how the tax was to be computed, making a distinction between "arms-length" and non "arms-length" transactions.

One condition which must be satisfied to bring a transaction within the definition of "arms-length" in paragraph 1 of Schedule 3 to the Act was that the terms of the sale should not be affected by any commercial relationship between seller and buyer, other than that created by the contract itself.

The market value under the Act was the price at which the oil could have been sold to a willing buyer at the relevant time in a sale at arms-length under certain conditions.

Section 134 of the Finance Act 1982, which only applied to non arms-length contracts, contained alternative provisions for calculating petroleum revenue tax. The taxpayer could make an election the effect of which was that the value of ethane was determined in accordance with a formula specified in the election. The nature of the election which could be made was strictly controlled by Schedule 18 to the Act and the Inland Revenue was required to reject it unless certain criteria were satisfied.

The difficulty over valuation arose because feedstock was not being provided by Shell/Esso and BP at Mossmorran and Grangemouth to an independent company by arms-length transactions. They would be interfiliate transactions. ICI was the only UK ethylene producer unable to take advantage of the new tax regime.

In its application for judical review, ICI sought to establish that the Government, by enacting section 134 and Schedule 18, was proposing to act unlawfully. It contended *inter alia* that the Government's action contravened article 93(3) of the EEC treaty. The issues could be divided into three heads: Community law, domestic law and *locus standi* [right to be heard in proceedings].

Community law. The question was whether the 1982 Act constituted an "aid" under articles 92 and 93 of the treaty. Mr Alexander for ICI submitted that "aid" had a wider meaning than "subsidy", and included any form of assistance or advantage given by a member state to an undertaking, which would not be available in the ordinary course.

In *Steenkolenmijnen [1961] ECR 119* the European Court said that "the concept of aid is wider than that of a subsidy because it embraces not only positive benefits... but also interventions which, in various forms, mitigate the charges which are normally included in the budget of an undertaking..." See also *Italian Government v Commission [1974] ECR 709.*

It was clear that a fiscal measure such as the 1982 Act could amount to an aid. Equally it was clear and was accepted by ICI that if legislation provided for a valuation which reflected the current arms-length valuation, such a provision would not normally amount to an aid. A valuation on that basis did not confer any benefit and was in the "normal course".

In practice the 1982 Act did give Shell/Esso and BP options which were not otherwise available to those liable to petroleum revenue tax and which were introduced with a view to giving them assistance. However, that did not mean that the Act necessarily created an aid.

So far as the supply of ethane for petrochemical purposes was concerned, the 1982 method of valuation was much more likely to reflect what would happen if there were to be an arms-length transaction than the method under the 1975 Act. The assistance provided by the 1982 Act was therefore justifiable.

As was the case under the 1975 Act, the 1982 Act required a proper valuation to be made and in the ordinary way that should not result in an unjustifiably low valuation. Inland Revenue officials would not deliberately abuse their powers in applying the legislation. If they accepted a price formula which produced too low a value, such misapplication would be made in good faith and without the intention to grant aid.

If the Inland Revenue were to benefit the oil companies by adopting a wrong valuation, that could not be remedied by reliance on Article 93 (3) because no aid would be involved. However, had Article 93 (3) been infringed in a manner which gave ICI rights under the directly applicable final sentence, it would have had locus standi.

Domestic law. ICI's primary contention was that the Inland Revenue was proposing to adopt a valuation of ethane for the purposes of the 1982 Act which was unreasonably low.

The parties were agreed that because of the absence of comparable sales, it was necessary to take into account evidence of sales at arms-length of methane and ethane for use as fuel.

It was agreed that an arms-length price was the best price, which an unrelated seller could obtain from a willing buyer. On that approach, ICI's valuation was 26 pence per therm, while the Government's was 10 pence a therm if firm, and 7 pence if variable.

The Government's evidence was not correct in so far as it indicated support for a 1982 price of approximately 10 pence a therm for a sale at arms length. It would be unreasonable for the Inland Revenue to adopt a valuation of 10 pence based on that part of its evidence. It was below the price which, for the relevant quantity of ethane and for the period under consideration, would attract other users. They would be prepared to pay at least 15 pence.

Locus standi. It was made clear in *Inland Revenue Commissioners v National Federation of Self-employed [1982] AC 617,* that normally one taxpayer was not entitled to seek judicial review in relation to another taxpayer's affairs.

ICI did, however, have the necessary standing. The whole history of the negotiations between it and the Government before implementing of the 1982 Act underlined that both were well aware of the effect the special provisions could have on ICI.

Its interests related to the question of valuation under the Act, the very matter which it had succeeded in establishing was not properly considered by the Inland Revenue. If those interests were being adversely affected by a wrong approach to valuation, its only possible remedy was judicial review.

For ICI: Robert Alexander QC, David Vaughan QC and Gerald Barling (VO White).
For the Government: Samuel Stamler QC, Francis Jacobs QC and John Mummery (Treasury Solicitor).

By Rachel Davies
Barrister

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South Africa curbs dollar dealing and bank lending

BY JIM JONES IN JOHANNESBURG

SOUTH AFRICA has introduced significantly tighter controls over foreign exchange markets and bank lending, Mr Barend du Plessis, the Finance Minister, told Parliament in Cape Town yesterday.

The intention is to limit speculative trading which the authorities have blamed for much of the rand's recent decline and its wide fluctuations in foreign exchange markets.

The country'a gold mines, which in 1984 produced 21.9m ounces of gold worth almost $6.6bn, at current prices, are to be restricted in their foreign exchange activities by being paid half of their sales revenue in rand by the Reserve Bank.

The mines, which have to deliver all their gold to the Reserve Bank, were paid entirely in rand until February 1983 when, in a move aimed at broadening South Africa'a foreign exchange market, the Reserve Bank began paying in dollars which had to be converted into rand within one week of receipt.

This allowed the mines to take advantage of short-term exchange rate fluctuations. Yesterday's change in the payment arrangements will giva the Reserve Bank greater control over tha flow of dollars, Mr dn Plessis said.

In n parallel move, the Reserve Bank'a rediscount procedures have been tigbtened to restrict commercial bank lending. In future commercial banks which exceed landing limits will not be accommodated by the discount houses but will have to deal directly with tha Reserve Bank for accommodation. The underlying intention of this is to restrict lending for speculation in foreign exchange markets.

The third control is a move to limit leads and lags by obliging exporters to remit foreign currency earnings to South Africa within seven days.

Mr du Plessis told Parilament that imports were falling "drastically" but that if the new foreign exchange measures fail to contribute to a control of South Africa's balance of payments problems, the Government would not besitate to introduce import surcharges.

The initial reaction of bankers and economists to the tighter controls was predictably mixed. It is widely falt that the moves will stabilise the rand exchange rate, but that this will be temporary unless accompanied by sterner moves to return the economy to an even keel by curtailing government apending, the rising inflation rate and money supply growth. In Johannesburg yesterday the rand rose more than two cents against the U.S. dollar to close et $0.49 cents.

● South African Gold shares gave a positive response to the moves to protect the rand. Although widely expected by London dealers in South African issues, tha moves encouraged a good performance from gold mining stocks which made progress to close with widespread gains. The Gold Mines index, which only last week fell to its lowest level since November 1982, measured in sterling terms, rose 5.8 to 446.1.

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Journalist's murder strains U.S.-Taiwan relations

BY BOB KING IN TAIPEI

WHO KILLED Henry Liu, and why? The question haa been haunting Taiwan since the 52-year-old Chinese-American journalist, author, and possible intelligence operative was gunned down at his home in Daly City, California.

His killers were allegedly members of the Taiwan underworld who had connections with Taiwan security officers and disclosures in the case so far have severely strained Taiwan's relations with the U.S., its atrongest supporter. Many fear the incident could halt U.S. weapons sales to the island, as well as weaken American support in general.

"Complete disclosure (of motives and the security connections) and visible reform of the security agencies is the only thing that will make this problem go away," said one observer. "It could turn into a total debacle if Taiwan tries to cover up."

Two underworld figures arrested during a nationwide crackdown on organised crime have confessed to the murder, bnt have also implicated officials of a top security agency. Chen Chi Li, the head of the "Bamboo Union, a gang estimeted to have more than 10,000 members bere and abroad, said that be bad informed the officials of his plan to kill "aomeone wbo has done a lot of harm to the country."

Mr Chen implied that be murderen Mr Liu, who some years earlier bad published a biograpby critical of Taiwan President Chiang Ching-Kuo, to curry favour in the bope of saving himself from arrest in the planned crackdown on organised crime.

Whether or not officials of the security agency knew of the gang's plan to murder Mr Liu —or wbether they actually had a hand in the making of that plan, as soma believe—is still onclear. Taiwan has arrested three officials, including the bead of the bureau concerned, but has not made public the charges against them.

Two agents of the American Federal Bureau of Investigation and a Daly City detective last weekend concluded a three-day discussion with the two civilian suspects, hut did not meet the detained intelligence officials.

President Chiang . . . Government reforms praised

The U.S. officers made no statements on their findings.

The nature of Mr Liu's activities prior to his murder is also unclear. The U S. magazine Newsweek says that Mr Liu bad been an FBI informant. Taiwan offered the American investigators evidence that it said showed Mr Liu bad acted as its agent during several trips to China.

Other reports hinted be may bave also spied on Taiwan for China.

Some speculate that if Mr Liu bad indeed heen an FBI informant, be may have been feeding the Burau information on the expansion of Taiwanese gangs overseas, particularly in the U.S. If ao, tben tbe Bamboo Union's motive for killing him is clear.

Still others suspect be may bave been preparing another book, in wbich revelations embarrassing or compromising for Taiwan Government officials, would bave been published. Thus, they aee the security agency's hand in the plot.

Whatever the motive, the killing has tarnished Taiwan's reputstion abroad, ironically at a time when reforms throughout the Government were drawing praise from other nations.

Changes in regulations and laws covering counterfeiting, accounting practices, and corporate financial disclosures have recently either been put on the books or are being processed. A new Cabinet, inaugurated last summer, was generally regarded as capable and reform-minded.

Liberalisation of the tariff structure and an ending of certain import restrictions had been set as a top priority for the next two years. The Opposition Press, loog beset by arbitrary censorsbip and confiscation of offending issues, bed over past months been especially vocal in its criticisms, with few reprisals.

Mr Liu's murder may have accelerated the schedule for tbe long-planned crackdown on organised crime. To date, that crackdown has netted over 1,000 suspects, many of them major underworld figures.

The growing power of the gangs, reflected in the increasing number of violent crimes and the use of handguns, forced the Government to move. It is now said to be planning a second phase under which police officers suspected of corruption or abuse of power, would be arrested.

The murder has obscured much of this progress internationally. despite directives from President Chiang that the guilty parties be found and punisbed, whatever their ranks. For instance, U.S. Congressman Stepben Solarz has announced be plans hearings to determine whether the murder was "part of e consistent pattern of intimidation and barassment of persons abroad."

If Congress were to conclude that such a pattern exists, it would mean an automatic ending of U.S. arms sales to Taiwan under American law and, by extension, a perceptible lessening of U.S. support for this nation, which China has regarded for decades as an errant province of the People's Republic.

Any perceived attempt at e cover-up of possible involvement by Government officials in the murder would give Taiwan's critics the ammunition they need to effect arms sales, observers think. But the incident may also offer Taiwan a chance to gain stature.

"If they went the full route on disclosure (of involvement) and pursued the case to the fullest extent possible, it could be seen by the media as a sign of increasing democracy here, and an indication that liberalisation will come faster," said one observer.

China rules out end to Soviet rift

By Mark Baker in Peking

CHINA has ruled out the possibility of an early end to its 20-year split with the Soviet Communist Party.

Despite the success of a fence-mending visit to Peking last month by Mr Ivan Arkhipov, the deputy Soviet prime minister, an official of the Chinese Communist Party said bluntly today that restoration of inter-party relations was not under consideration.

"The question of the relations between our two parties is not under consideration now," said Wn Xintang, spokesman for the International Liaison Department of the Chinese party.

Wu also spurned Soviet-backed proposals for a world congress of Communist parties.

He said such a conference —plans for which have been promoted recently by both Czechoslovakia and the Soviet Union—would anly damage relations between Communist states and would not assist world peace.

"The Communist Party of China has always stood and still stands for free exchanges of views on issues of common concern among Communists of the world on the basis of independence, complete equality, mntual respect and non-interference in each others internal affairs," he said.

Wn's remarks are the firmest indication from the Chinese side in recent years of the continuing rift in relations with the Soviet party.

Party relations were severed in the early 1960s when China and the Soviet Union fell ont over a series of bitter ideological and territorial dispntes.

Relations between the two governments bave improved significantly recently. Mr Arkhipov was the most senior Soviet official to tour China since the split and Li Peng, the Chinese vice premier, is expected to go to Moscow in April to sign a four-year trade agreement.

Nakasone set to boost defence

BY JUREK MARTIN IN TOKYO

IT HAS become increasingly apparent this week that Mr Yasuhiro Nakasone, the Japanese Prime Minister, bas decided to allow defence spending to exceed 1 per cent of the Japanese gross national product.

This is the almost universal interpretation of his response to questions over the past two daya during the parliamentary session.

The Prime Minister, typcially, did not in so many words commit himself formally to abandoning the guideline laid down by the Miki Cabinet in 1976, which pledged to kep defence spending below the 1 per cent ceiling "for the time being."

But ba did say that a chenge in the ceiling would be a matter for consideration by the Cabinet and the National Defence Council, a remark broadly seen as indicating his willingness so to do.

On a technicality, tbis may not occur until the summer, when the National Personnel Agency is due to issue its recommendations on the next military pay increase. Unless the Japanese economy continues to grow at an unforeseen rate, even a modest pay raise would bring the defence budget over 1 per cent of GNP.

Government officials, though not opposition political parties, have long contended that serious debate on Japan's defence posture has bene hamstrung by its concentration on numbers. Mr Nakasone, who, by political standards, si something of a defence specialist, has long wanted to break these bounds.

But officials also concede that in this instance it has been the absence of mucb pressure from the U.S. for a greater Japanese military effort that has made easier selling the proposition to the Japanese political endience.

Lange sticks to N-ship ban

BY DAI HAYWARD IN WELLINGTON

NEW ZEALAND'S Prime Minister David Lange is adamant his country will stick to its ban on nuclear ships or weapons—despite increasing pressure on his Government and what can almost be described as mounting hysteria in the Australian media.

"We will not bnckle under pressure. As long as I am Prime Minister there will be no nuclear weapons in New Zealand," he said.

However there are continuing efforts to find a way out of wbat appears to be an increasing impasse over the American request to send a warship in March.

Washington has now put forward some options on the visit in an effort to accommodate New Zealand's anti-nuclear stand. However, it bes stopped short of agreeing to reveal whetber any particular ship is nuclear armed.

In addition to a letter from Mr Bob Hawke, the Australian Prime Minister, Mr Lange has also received a personal letter from Mr George Shultz, U.S. Secretary of State. Mr Lange confirms that Mr Shultz took a much firmer line and repeated the need for American warships to bave access to New Zealand ports as part of the Anzus defence treaty alliance.

Attacks mount on Israelis as pullout draws near

BY DAVID LENNON IN TEL AVIV

THE ISRAELI preparations for the first stage of the withdrawal of its forces from Lebanon has moved into high gear accompanied by intensified guerrilla attacks on the occupation forces and their allies.

Israeli troops have been harassed as they hauled equipment southwards, with guerrilla attacks reaching a peak of nine on Monday which left five Israeli soldiers wounded.

There have been repeated rocket attacks on positions of the Israeli army and the Israeli-backed South Lebanon Army militia. In addition, the forces moving on various roads have been subjected to bomb attacks and land mines.

According to Israeli officers, most of the attacks are being carried ont by local Shi'ite Moslem groups, but they alao noted tbat there has been increased guerrilla activity by Palestinian fighters.

Despite the harassment, Israel has completed the evacuation of military structures and heavy equipment from the port of Sidon and is completing the dismantling of its bunkers along the Awali and Zaharani Rivers, defence lines which will be abandoned by February 18.

After dismantling its positions on the Awali River, Israel's front line in Lebanon, bulldozers have been flattening tbe area.

One worrying aspect for Tel Aviv of the recent intensification of guerrilla attacks on the Israeli forces is that most of them have been taking place in the southern areas of Lebanon which is only scheduled to be evacuated in the third, and final, stage of the withdrawal.

● Lebanese Prime Minister Rashid Karami flew here today for talks with Syrian leaders and said they would discuss Israel'a impending troop withdrawal and his country's economic crisis, Reuter reports

Economic woes Page 15

Share prices fall sharply

THE PRICES of hundreds of shares on the Tel Aviv Stock Exchange fell sharply yesterday as a new selling wave swamped the market for the second day running in tha wake of reports that one of tha big traders had run into financial trouble and was being forced to dump his shares, David Lennon reports.

This is the worst stock markel fall since the massive crash in 1983, and there are fears that when selling price limits come off many sbares today there will be a further tidal wave of selling.

Some of the sales were attributed to profit-taking following a sharp rise in prices since the beginning of January, by as much as 30 per cent in many cases. However, mucb more of the selling was attributed to panic dumping shares.

AMERICAN NEWS

Senator calls hearing on farm financial crisis

BY NANCY DUNNE IN WASHINGTON

SENATOR JOHN MELCHER, a Montana Democrat, has called an emergency public hearing today on Capitol Hill to focus attention on the turmoil in the U.S. farm belt, where thousands of American farmers are expected to be bankrupt in the spring and hundreds of farm banks are in deep trouble.

"There is a horrendous sense of frustration by farmers that no one is listening to them," said Mr David Voight, a Melcher aide.

Farmers and bankers will be called to testify on the need for emergency assistance to credit-starved producers.

Mr John Block, U.S. Agriculture Secretary, was expected to to brief the President on the coming crisis at a cabinet meeting yesterday, although the Secretary's eides warned that be would present "no big plan" because "Uncle Sam isn't the answer."

"Everybody, the banks included, is going to have to take some of the responsibility," said one Block assistant.

With the current farm programma due for renewal this year, the Secretary has been preparing proposals for a new Farm Bill, which would make deep cuts in farm speding. Most analysts say that the end will come for the most financially strapped farmers—those Mr Block says have "failed to make *good decisions*"—before the ink is dry on the new lagislation.

Protests of all kinds have been erupting in this bitterly cold winter of farmer despair. Last week, the American Agriculture Movement picketed the Chilcago Commodity Exchenges, in a futile effort to seek a price floor in grain trading.

In Minnesota, thousands of fermers and businessmen marched on the state capital emanding a sate moratorium on the 13,000 farm foreclosures expected in the next 18 months. In Iowa, where es meny as 17,000 farmers may go under by late spring and 48 banks are on the Federal Deposit Insurance Corporation "problem list," hundreds of demonstrators held e silent protest during the governor'a state of the state message.

In Washington, the Administration, which got overwhelming support from farmers in the last election, is under increased pressure to ect. Numerous farm group representatives have written to Mr Reagan to protest forthcoming proposals in his farm legislation, even before it is officially introduced.

The National Association of Wheat Growers concluded its annual convention last week opposing almost all the coming proposals and calling for "the Government to take responsibility for restoring an environment in which the agricultural industry can prosper."

U.S. to use tanks in Honduran exercise

By Reginald Dale, U.S. Editor in Washington

THE U.S. is to start another hig military exercise in Honduras next month that will for the first time include anti-tank training near the Nicaraguan border.

Big Pine 3 is the fourth large U.S.-Honduran exercise in two years, hut the first in which U.S. armour will be involved.

The Pentagon said an undisclosed number of M60 *tanks and M113 armoured* personnet carriers would be flown to Hondoras for an "anti-armour field training exercise" in April.

Honduran military officials have said the exercise will take place only a few miles north of the Nicaraguan border.

While the Reagan Administration has vigorously denied Nicaraguan claims that the manouvres are intend to prepare for a full-scale invasion of Nicaragua.

The Pentagon says that they should "remind" the Sandinista Government not to harbour "any designs on their neighbours."

Big Pine 3 will last about three months, starting in early February, and involve the deployment of as many as 4,500 U.S. troops in Honduras.

About 1,500 U.S. military personnel are usually stationed in Honduras between the manoeuvres, which have been taking place almost continuously for the past two or three years.

Mr Caspar Weinherger, U.S. Defence Secretary, said yesterday that he envisaged joint U.S.-Honduran military exercises continuing

U.S. officials insist that the exercises are not intended to help the Nicaraguan "Contra" anti-government *rebels*, although part of the Big Pine 3 manoeuvres are expected to be held in areas where the "Contras" operate bases in Hinduras.

In Washington, the hWite House said it still planned to press Congress to lift its ban on U.S. aid to the "Contras" in the coming weeks.

It did not, however, close the door to the possibility of finding new ways to help the rebels, other than the "covert" funds that have been channelled through the Central Intelligence Agency.

Revised forecast shows fall in U.S. interest rates

BY STEWART FLEMING IN WASHINGTON

THE REAGAN Administration is revising its economic forecasts to project both lower levels of inflation and lower interest rates in 1986.

Although the reduction in the inflation forecast will have no *significant* impact on the outlook for the budget deficit, the lowering of the interest rate projection is estimated to save the Governmant about $10hn (£9bn) in 1986.

The budget message which President Ronald Reagan will send to Congress at the beginning of next week is expected to project e deficit for 1986 of about $178bn on the, at present, optimistic assumption that congress will approve the cuts in federal spending of about $51bn which President Reagan will propose.

Lower inflation

Full details of the revised economic assumptions have yet to be disclosed, but officials confirm that for 1985, for example, the hudget will assume that inflation as measured by tha Gross National Product deflator will be 4.3 per cent rather than the 4.7 per cent assumed a few weeks ago.

Although the 5 per cent level of Interest rates on three-month Treasury bills assumed for 1989 will be maintained, much of the decline to this level will be projected to take place sooner.

Tha Administration has been forecasting a three-month interest rate of 8.1 per cent in 1986. The assumed 4 per cent real growth rate for Gross National Product between 1985 and 1988, which has heen e constant feature of Administration budget projections over the past year, is not expected to be changed.

In revising the economic forecasts officials will be able to point to a number of factors to support their assumptions. These include the decline of over three percentage points in short-term interest rates in recent months, better than expected inflation numbers which have led some private economists to project inflation in 1985 could be lower than the 3.7 per cent recorded last year, and evidence that the economy is recovering from the pause in growth in the second half of 1984.

While the economic projections in the budget are unlikely to be the source of great controversy, the debate about the 1986 budget is generating heat.

On Capitol Hill Senator Robert Dole, the Senate Majority Leader, is said to be in danger of failing in his efforts to draw np a package of budget cutting measures for presentation later this week.

Personal appeal

Senator Dole was expected to make a strong personal appeal for support at a meeting of Senate Republicans yesterday.

A major eticking point remains the defence budget. Mr Caspar Weinberger, Defence Secretary, backed by President Reagan, is vigorously resisting pressure from Congress to concede significant cuts in defence spending.

This is being done despite Senata Republican warnings that without concessions on defence, President Reagan's hopes of gaining Congressional support for the draconian list of cuts in domestic apending he has prepared, are negligible.

Mr Weinberger has already taken the unusual step of trying to appeal to the country over the head of Congress in en hour-long television session with the national Cable News Network.

In the broadcast, half of which was devoted to en address by Mr Weinberger, tha other half to a question and answer session, Mr Weinberger defended the Pentagon's proposed $313.7bn budget for 1986.

He said that defence spending should be geared to the external military threat, not to balancing the budget and that to short change defence now would weaken the U.S. negotiation position in the Geneva arms talks.

New York probes police 'brutality'

By Terry Dodsworth in New York

THE CITY and the state of New York have ordered separate investigations into allegations of a systematic medical cover up of police brutality in the city.

The moves follow a series of articles in the New York Times claiming that Dr Elliott M. Gross, the Chief Medical Examiner of New York City, has produced misleading or inaccurate autopsy reports on people who died in police custody.

Dr Gross bas refused to step aside during the investigations, saying that he expects to be "completely vindicate."

In a four-page statement, he accused the newspaper of embarking "on a campaign of character assassination," and said that he would publish a detailed refutation of every charge.

The probe by the city, ordered by Mayor Ed Koch, will be conducted by a special legal counsel with full powers of subpoena. The counsel will be able to draw on the services of two pathologists from outside the Medical Examiner's Office.

The second investigation will be conducted by the state's Health Commissioner and Criminal Justice Co-ordinator.

Many of the people who have died in custody have come from minority groups, which have been growing increasingly vociferous in their accusations of police bias.

These complaints have gained backing from lawyers, who bave strongly and publicly criticised Dr Gross's conduct, claiming that be has accommodated the police

Oil companies return to Ecuador

BY SARITA KENDALL IN QUITO

THE RETURN of foreign oil companies to Ecuador, confident that further exploration will prove fruitful, is a major event for a country which depends on oil for nearly 70 per cent of its export earnings.

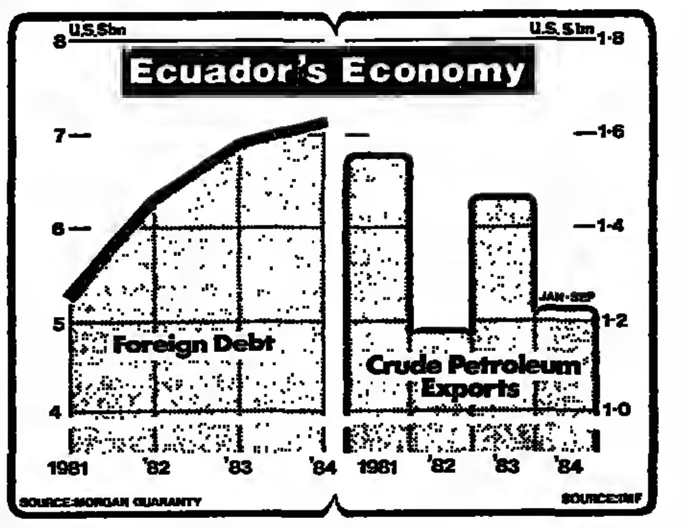
Occidental signed a new exploration contract last week and snother contract with Esso/Hispanoil is expected next month. Belco is to sign np for the exploration of two offshore areas in March.

The Government plans to offer four to six blocks for hids hy foreign companies each year, with the first four to be announced on February 15. Two of these lie in the Amazon region—the aource of most of Ecuador'a current oil production—and several companies have already expressed interest in them.

This burst of exploration activity beties gloomy forecasts that Ecuador, a member of the Organisation of Petroleum Exporting Countries (Opec) would have little crude available for export by the end of the decade.

Both oil production and export volumes have been running at record levels recently, with output at 270,000 barrels a day (b/d) well above Ecuador'a official Opec quota of 183,000 b/d. Ecuador announced recently that it would disregard Opec rulings on price and output for the indefinite future.

Recent crude sales bave dropped well below the official price level of $27.50 a barrel; but even so, three companies bave stopped huying and the *payment period* for other contracts has been extended to 150 days. The price may have to be revised again in February.



Last year's oil exports brought in about $1.6bn, contributing to a healthy trade surplus of over $1bn. Following agreement to reschedule $4.3bn of foreign debt over 12 years. Ecuador's debt servicing load has been lightened considerably, to under 30 per cent of export income.

International reserves have also risen slightly and predictions that the free market rate for the currency would reach 150 sucres to the U.S. dollar by the beginning of 1985 proved groundless. The central bank free rate is 95 to the dollar. A 1984 growth rate of more than 2 per cent has also helped to fuel optimism about the future *in* Government and business *circles*.

But there are doubts about the political stability of the country. The precarious political arrangement between the Government and the Opposition, which holds the majority of seats in Congress, could easily be upset. Opposition parties supported a two-day general strike call recently by the unions in response to petrol price increases, and they favour a minimum wage increase of at least double the current inflation rate.

Despite political uncertainties, foreign investors seem to be responding to the Government's attempts to woo them. Commercial missions from the U.S., West Germany and the UK are planned in the next few months, with mining, agroindustry and low-cost housing the main areas of interest, in addition to oil.

There are expected to be fewer delays in awarding contracts for exploration and exploitation in future. Occidental's Amazon block is expected to produce aome 30,000 b/d. and it is hoped production will start just as output from the older Amazon fields worked by Texaco and the state oil corporation, Cepe, begins to fall off.

A connection to the Transandean pipeline in Peru will be needed, and the capacity of the pipeline itself is being raised to 300,000 b/d. Further discoveries in the Amazon region — for example, hy Esso/Hispanoil, which will he exploring a "frontier" area — would mean the construction of another pipeline across the Andes.

Apart from the exploration offensive and additions to production from aecondary recovery programmes, Ecuador's oil outlook has been enormously improved by changes in local consumption patterns. Demand for oil products rose by more than 10 per cent a year not long ago, and has now dropped right hack to a rise of 1 or 2 per cent a year.

The ban oo car imports, and fuel price increases has helped, hut the crucial factor has been the change to hydroelectric power. One scheme alone — Paute A/B — raised the contribution of water-generated power from 20 per cent to nearly 50 per cent of total capacity.

As a result, crude exports can now be maintained at over 150,000 h/d for the foreseeable future; this year average daily exports are forecast at 170,000 b/d. In the longer term, the exploration programme should add new reserves, and although price levels are less than satisfactory from Ecuador's point of view, the earnings crisis has been averted, at least for the time being.

WORLD TRADE NEWS

Hyundai opens U.S. office to spearhead foreign sales drive

BY STEVEN B. BUTLER IN SEOUL

HYUNDAI Motor Corporation yesterday announced the opening of a sales and marketing headquarters in the U.S. It plans to sell its cars, including an as-yet unannounced front wheel drive batchback, in the American market before early 1986.

The move marks an important step in South Korea's drive to become a major car exporter. Hyundai will be the first to enter the U.S. market, although General Motors has a joint venture with Daewoo Corporation under which Daewoo-produced cars will be marketed in the U.S. under a GM hadge from 1987 onwards.

Hyundai's front-wheel drive car will include a basic model priced hetwen $5,000 (£4,500) and $6,000.

The company expects to sell between 100,000 and 120,000 units in the first 12 months of salea in the U.S.

The "X" car will be introduced in the Korean market In March. By November, Hyundai plans to be producing the car at a rate of 300,000 units a year.

It is still nndergoing testing In the U.S., hut the company said it expected the car would easily meet the tough U.S. standards.

Hyundai has recruited some of its U.S. executive staff from the American sales arm of Toyota, the Japanese company. Mr Max Jamieson, a former Toyota executive, will bead the Hyundai operation.

The company expects to recruit a nationwide aales staff of 300, concentrating its sales first on the east and west coasts of the U.S. A network of dealershipa will be established ahortly.

Hyundai introduced a low-priced, rear-wheel drive car, the Pony, into the Canadian market last year and it was an Instant success. More than 25,000 units were sold, roughly four times the company's initial expectations.

Isuzu signs Y75bn deal to sell trucks to China

ISUZU MOTORS of Japan, which is 34 per cent owned by General Motors of the U.S., has *signed* a Y75bn (£263m) contract to sell trucks and truck manufacturing technology to China Automotive Industry Corporation, Reuter reports from Tokyo.

The company said it will ship 40,000 trucks of two to nine tonnes capacity to China over two years starting in April this year.

It will export licensed technology to manufacture trucks of 1.5 to 3.5 tonnes capacity over seven years, also starting this April.

Under the technology export agreement, Isuzu will initially aupply parts and assembly technology. Later, technology for making components will be supplied, ellowing Chine to produce trucks itself, Isuzu said.

Japan exported 56,870 vehicles, including 30,068 trucks to China between January and November 1984, the Japan Automobile Manufacturers' Association said.

Intellectual property probe

THE OFFICE of the U.S. special Trade Representative has launched a study on the extent to which U.S. commercial interests are being harmed by inadequate foreign protection of U.S. intellectual property rights, AP-DJ reports from *Washington*.

Scheduled for submission to the Senate Finance Committee and the House of Representatives Ways ond Means Committees by October 19, 1985, the study will cover foreign treatment of U.S. patents, copyrights and trademarks.

By law, the administration must report to Congress not only a catalogue of the intellectual property-related trade barriers it has identified, but also whet steps ere being taken to eliminate them. Moreover, if no such actions are in progress, the Administration must explain the reasons for its inaction.

Taiwan revives N-plant project

By Ian Rodger

TAIWAN POWER is reviving a $4.5hn (£4bn) nnclear power plant project that was abandoned over two years ago because of gloomy electricity demand forecasts.

New tenders have been submitted by General Electric, Westinghouse Electric and Combustion Engineering, of the U.S., and Northern Engineering Industries (NEI) of Britain for parts of the Yenliao project, which is based on the pressurised water reactor (PWR) technology.

In May, 1982, NEI Parsons received a letter of intent for an £80m contract to supply two 1,000 megawatt turbine generators for the station, beating GE, Brown Boveri of Switzerland and Hitachi and Mitsubishi of Japan. However, the letter was withdrawn two months leter *when Taipower decided to* postpone the project indefinitely.

Yesterday, Taipower said the project had been given the go-ahead by the country'a Council for Economic Planning and Development and was awaiting Cabinet approval.

Hydrocarbons search begins

By Boonsong K'thana in Bangkok

BP, BRITOIL, the Royal Dutch/Shell groups and Forman Petroleum, an American oil company, yesterday received final approvals from the Thai Cabinet for the rights to explore for and produce hydrocarbons in the country's onshore and offshore areas.

Thai Shell Exploration and Production, a Thai unit of Shell, will be given a 10,490 sq km block, B6/27, in the Gulf of Thailand.

BP Petroleum Development has got rights in a 9,993 sq km onshore tract in the central province of Ayutthaya. Britoil Public will be given a 5,597 sq km block in Bangkok.

Forman Petroleum of Louisiana is chosen for e 8,420 sq km onshore acreage lying between the central plains provinces of Kamphaeng Phet and Ayuttbeya.

U.S., Japan launch trade studies

BY JUREK MARTIN IN TOKYO

JAPAN and the U.S. yesterday agreed to pursue separate studies on four market areas in which the U.S. claims Japan unfairly discriminates against U.S. goods and services.

The first round will be taken up immediately bere with *officials from* both *countries* discussing trade in telecommunications equipment. Other groups will convene next month on pharmaceuticals, computers and electronics, and forest products.

This appeared to he the main result of two days of talks at the Foreign Ministry between senior officials; the U.S. delegation was led by Mr Allen Wallis, the undersecretary of state for economic affairs.

Mr Wallis told the Japanese side that barriers against competitive U.S. goods embraced by the four market areas were undermining President Reagan's ettempts to keep e lid on protectionist attitudes in Congress.

Mr Wallis claimed that essorted Japanese trade *barriers*, *mostly* on the non-tariff side, were costing the U.S. as much as $10bn (£9bn) a year in exports to Japan. In the four market areas, U.S. products were fully competitive "in terms of price, quality, reliability and technological excellence." He singled out telecommunications equipment as perhaps the single most important area.

Japan, bowever, countered in kind, with Mr Reijl Teshima, the Deputy Foreign *Minister*, maintaining that the estimated $33bn U.S. deficit in bilateral trade last year was more the result of tha high U.S. dollar and insufficient effort by American companies in selling to Japan.

Mr Teshima reportedly said that sectoral concessions by Japan were unlikely to make much of a dent in the deficit. Nor would he concede that the relaxation of any barriers in tha four designated market areas would necessarily form the major part of the next liberalisation package, due to be completed by the end of March.

It would appear that the meeting was very much tactical in nature. The U.S. enjoyed some success last year in focusing its lohbying in Japan on specific areas and seems intent on pursuing a similar approach this time around.

In particular it may be hoping for a repeat of last year's efforts in which it was instrumental in getting a proposed Bill by the Ministry of International Trade and Industry (Miti), which would have *reduced the copyright* protection enjoyed by computer software anthors, withdrawn from the parliamentary schedule.

However, not all the identified sectors will necessarily respond in this way. Mr Teshima told the U.S. delegation, for example, that it was "not possihle" for Japan to make any major concessions on forest products because of fear of damage to the domestic lumber industry.

Nancy Dunne reports on the negotiations for import quota accords

Washington faces hard slog in steel talks

MORE THAN one month ago U.S. *trade officials announced* with great enthusiasm the "successful conclusion" of negotiations for voluntary import restraints by aeven of the hlggest suppliers of foreign steel to the American market.

Although industry officials express satisfaction with the progress of the negotiations, trade officials still appear to he weeks, if not months, away from nailing down *actual* settlements with any of the importers.

Under President Reagan'a programme for assisting the domestic steel industry to "level the playing field in steel trade," U.S. trade officials were given 90 days last September to seek negotiated voluntary quota agreements. Faced with this mammoth task, they returned in 92 days claiming agreements on "basics" and a handful of loose ends still to be resolved.

To date, wbat the U.S. has in formal commitments, as it strives to limit foreign penetration to about 20 per cent of the msrket, are agreements with only four netions whose collective imports will total less than 1.5 per cent, end a renewed pact with the EEC limiting its market share to 5.4 per cent. The egreement with the community was first negotiated in 1982.

Since the December 19 announcement, final arrangements bave been concluded without Finland (not among the seven nations originally specified) which gets 0.224 per cent of tha U.S. market; Australia, which gets 0.18 per cent, South Africa with 0.42 per cent and Spain with 0.67 per cent.

Bill Brock: more anthority proposed

Canadian steil penetration is somewbat les than 3 per cent, but "because of the unique nature of the integration" between U.S. and Canadian steel production, Administration officials decided to forego demanding a voluntary arrangement with its northern neigbbour.

U.S. trade officials have still to make final arrangements to be made with five or the biggest offenders. Japan, Korea, Brazil, Mexico and Argentina—and these talks still seem to be *fraught with complication.*

The Japanese, for example, have agreed to limit their market share to 5.8 per cent, but they bave not yet promised to avide by an arrangement for five years. Initially, they offered a one-year pact and rejected the U.S. argument that they had failed to open their markets sufficiently to the Koreans, who were, therefore, diverting shipments to the U.S.

The last *talks* betwene the two parties were reported to have gone well but no final agreement seems imminent. Tha next round of negotiations is scheduled for mid-February.

Three rounds of formal discussions have been beld with the Brazilian and "communications" are said to be continuing. However, squahbling bas broken out over hoth the text of the proposed pact and the quotas for individual products.

The domestic steel industry, while not involved in nagotiations, is playing a vital leveraging role in the talks. All pacts are referred to the companies which heve filed unfair trade cases with the U.S. Commerce Department or the International Trade Commission. Thus far, eight cases have been dropped against those countries which concluded final pacts.

Argentina appeared at the bargaining table in e truly voluntery spirit, as a result of several trade cases against its imports. These cases have been postponed pending the conclu*sion of the negotiations.*

Tha industry is, meanwhile, keping a close eye on new competition—particularly from eastern Europe—which might try to fill any void resulting from the quotas. U.S. Steel last month filed unfair trade eases against Czechoslovakia, East Germany, Hungary, Poland, Romania, Austria, Sweden and Vanezuela.

In the tough talks ebead, U.S. *trade negotiators* are wielding carrots where they can. Some importers bave been promised an end to countervailing duties imposed under previous unfair trade cases. Brazilian officials, contemplating the promised ebsence of the expensive duties they are now paying, say their steel will be more competitive than ever.

Congress, too, is keeping its band in. One bill recently introduced would let steel companies bypass the ITC and Commerce Department to seek damages in federal courts against foreign dumpers.

Another, introduced by Senator John Heinz of Pennsylvania, directs Mr Bill Brock, the U.S. Trade Representative to set sub-limits on 27 categories of steel products in negotiations with Japan, in order to protect against diversion into the most profitable items. Should negotiations fail, then Mr Brock would have the authority to unilaterally impose such limits.

Hong Kong in bid to sway U.S. on textiles

By David Dodwell in Hong Kong

HONG KONG'S director of Trede, Mr Hamish Macleod, left for Washington yesterday for what is likely to be e final ettempt to persuade the U.S. to ebandon controversial new textile import regulations.

The meeting comes at a time of growing fears in Hong Kong that only cosmetic elterations can be expected. The new legislation, introduced at short notice and in defiance of existing textile trade agreements, was seen until recently as a ploy by President Reagan to appease the powerful textile lobby in the U.S. during his Presidential election campaign.

Hong Kong and China are among the most seriously affected by the changes, which involve new definitions of the country of origin of textile produts. Hocng Kong textile manufacturers say exports worth ahont HK$3bn (£300m) are likely to be lost this year if the regulations are not revoked.

Manufacturera of woollen garments, the group worst hit by the changes, have reported a 40 per cent fall in orders aince November. They say about and producers in China hava eaid a similar number of jobs are at atake there.

The U.S. wes unanimously censured by members of the General Agreement on Tariffs and Trade (GATT), which met specially in November to consider the American legislation.

A Hong Kong Trade Department official commented recently: "We are deaoling with a move that is arbitrary, authoritarian, one-sided and at odds with consumer interests and preferences. It is in definance of a bilateral agreement and multilateral discipline."

The feeling of harassment has been aggravated by an unprecedented number of calls by the U.S. during 1984 for bilateral renegotiation of textile exports not yet subject to quota.

Since 1982, Hong Kong's textiles subject to quota have risen from 80 per cent of exports to 92 per cent as a result of such calls. The Gatt textile surveillance board censured the U.S. in December for acting beyond its powers in making the calls.

UK NEWS

Trade union votes 12–1 to take cash for ballots

BY DAVID GOODHART

MEMBERS OF Britain's second largest union, the Amalgamated Union of Engineering Workers (AUEW), bave voted by a huge majority to accept Government money for postal ballots in defiance of Trades Union Congress (TUC) policy.

AUEW leaders said yesterday that recommendations to accept the money had been supported in the postal ballot by about 12 to 1 – 233,030 members voted to accept the money and 19,793 voted against.

The crushing majority was recorded on one of the highest responses in recent AUEW elections; 31.3 per cent of the 1m members voted, with 34 per cent from the main engineering section taking part.

The organised left-wing of the union, which usually carries significant minority weight, opposed taking the money, but only balf-beartedly.

Government funds for ballots were made available last year in trade union legislation which made it compulsory for n union to ballot its membership before authorising strike action.

Yesterday's result was expected, but the extent of the majority may strengthen the union's hand in the wrangle that will now begin with the TUC.


Mr Gavin Laird: seeking £1m in back payments

Mr Gavin Laird, the AUEW general secretary, bas already written to the Certification Officer asking for £1m in retrospective payment for ballots held since 1980.

When the money is received, which may not be for another three months, TUC disciplinary procedures will begin at once. The AUEW is in open hreach of the TUC's 1982 Wembley agreement.

The AUEW's case will first go to the TUC's finance and general purposes committee and then to the general council, but the September TUC Congress is likely to intervene to qualify the 1982 policy before any decision is taken on expulsion of the union.

The Electrical, Electronic, Telecommunications and Plumbing Union, the other main right-led union which makes extensive use of the costly postal balloting system, bas also decided to accept government money. It has compromised, however, and said it will take the retrospective payment (which the Government has said must be done before February 4) but then freeze the money until the argument is resolved.

The British Airline Pilots Association has also decided to accept the money and a number of other unions are actively considering it. Mr Terry Duffy, the AUEW president, said he detected a change in opinion among unions and boped that reconsideration of the issue by the TUC would solve the problem. He said the AUEW was in the black and was not taking the money to extract itself from financial problems.

"There is nothing immoral or wrong in taking the money. The TUC can act in an advisory capacity and we comply with the wishes of our members.

"In spite of the problems that would arise if the TUC expelled us we shall implement our members' decision. The days bave gone wben leaders could dictate to members. They now demand to be consulted and we bave done that."

Army in £24m plan to use lasers for battlefield training

BY BRIDGET BLOOM, DEFENCE CORRESPONDENT

THE BRITISH ARMY expects to embark soon on a £24m plan to revolutionise the way it trains its soldiers.

The army plans to equip two brigades in the next few years with equipmeot which will simulate direct fire from a range of weapons systems, including tanks, anti-tank guided missiles, machine guns and rifles.

The equipment, whicb involves technologies based on the laser, microchip and computer, will offer the army, according to senior officers, an "infinitely more realistic battlefield simulation."

The simulators use low-powered "eye-safe" lasers as "ammunition" for the wide range of weapons in service or planned for the army. The laser is "fired" at a target equipped with detectors to receive it. If the laser hits the target a "kill" is achieved putting the target – whether man or tank – out of the battle.

"In the past, we were barely more sophisticated than children playing war games and sbouting 'Bang, bang! you're dead!'" a senior officer said.

This is effectively wbat officers who umpire military exercises, sucb as last autumn's Lionheart or mucb smaller training manneuvres, still do. In future, a laser programmed from, for example, n Milan anti-tank weapon, could immobilise a Challenger tank by switching off its electrical system. A direct hit on an infantryman would set off an unpleasant buzzing, which could only be silenced if the soldier lay flat on his back.

Neither the tank nor the soldier could be revived unless the umpire used his own "life-giving" laser gun.

The army already has a small number of simulators. Under a recent contract all its Challenger and Chieftain tanks will be equipped by the end of the decade with a system known as Simfics.

Centronics, part of the First Castle group and the other large UK producer, is also supplying its Sawes – small arms weapons effect simulator – for a small number of infantry.

The £24m package which has just been approved by the army will equip two full hrigades with tactical simulator systems covering not only the tanks and infantrymen themselves but their Milan anti-tank weapons, the new shoulder-launched light anti-tank weapon Law80, the new MCV80 combat vehicle, as well as Scorpion, Scimitar and Spartan armoured vehicles and associated belicopters and missiles.

National centre to co-ordinate British space technology

BY PETER MARSH

THE GOVERNMENT has bowed to pressure from industry and set up a co-ordinating body to marshal Britain's efforts in space technology.

The British National Space Centre will probably be based at the Royal Aircraft Establishment (RAE) at Farnborough, Hampshire, Mr Geoffrey Pattie, the Minister for Informntion Technology, said yesterday.

Mr Pattie said the Government would decide on the level of resources and staffing for the centre over the next few months. He ruled out, at least for the next two years, any increases in Britain's annual budget for civilian space activities, now running at some £90m a year.

News of the centre comes after several months of lobbying by industry groups. It will give a sharper focus to Britain's activities in space. Responsibility for this area is at present shared by several government bodies, including the Department of Trade and Industry, the Ministry of Defence and the Science and Engineering Research Council.

The first two departments both have a say in the running of the RAE, while the main centre of space expertise for the research council is at the Rutherford Appleton Laboratory near Oxford.

The new centre is intended to coordinate the country's work in areas such as telecommunications and Earth-mapping satellites, future developments of Western Europe's Ariane rocket and studies concerning the international manned space station planned for the 1990s.

Representatives from Britain's space industry gave a guarded welcome to the body. They said it would improve co-ordination between different Whitehall departments, but industry leaders said they would reserve final judgment until the Government gave details of how the centre would operate.

The announcement serves notice to Britain's partners in the European Space Agency (ESA) that the UK intends to get n firmer grip on space technology. The lack of a central British agency for these matters has come in for oblique criticism from France and West Germany, both of which bave national space bodies.

Mr Pattie's declaration came immediately before be flew to Rome for a meeting of ESA ministers today and tomorrow. They will decide on n broad strategy for joint West European efforts in space technology over the next 10–15 years.

Mr Pattie said Britain would urge ESA's other 10 members to respond positively to the invitation by the U.S. that Western Europe should help in the construction of a manned space station, which is due to enter orbit in 1992.

"Joining the space station programme will give us access to all of the international space-station facilities for techniques such as satellite refurbishing and refuelling. These will be essential if our space industry is to keep ahead of competition into the next century," said Mr Pattie.

Britain's contribution to the space station could be a small platform that orbits over the north and south poles, carrying cameras for Earth observation. This would be part of a large laboratory module, christened Columbus and built by West European industry, that would plug into the central core of the U.S. orbiting base.

Mr Pattie said ESA should spend £50m on n two-year feasibility study on the costs and benefits of Columbus. Britain's contribution would be £7m. Western Europe should decide on the much larger sums of up to £1.8bn over 10 years that would be needed to build Columbus only after the study had been completed.

Dr Peter Martin-Kaye, a geologist from Hunting, a resource-surveys company which uses pictures taken from observation satellites, said: "I welcome any change in the current arrangements but I don't have a lot of confidence that the new organisation will give a sharp pointed direction to Britain's space policy."

Ponting secrets trial continues in private

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE TRIAL of Mr Clive Ponting, the senior Ministry of Defence official charged with an offence under the Official Secrets Act, continued behind closed doors at the Old Bailey, London, yesterday for four hours.

Only the first 40 minutes of yesterday's hearing was held in public, when the first prosecution witness, Mr Richard Mottram, private secretary to Mr Michael Heseltine, the Defence Secretary, began his evidence.

The bearing was held in camera when Mr Mottram was asked to deal with the so-called "Crown Jewels" – a document prepared by Mr Ponting dealing with the events leading up to the sinking of the Argentine cruiser, the General Belgrano, during the Falklands War.

Mr Po nting admits sending two Defence Ministry documents to Mr Tam Dalyell, a Labour MP, but hes pleaded not guilty to a charge under Section 2 of the 1911 Official Secrets Act.

He is charged with disclosing information "to a person other than a person to whom he was authorised to disclose it or to whom it was, in the interest of the state, his duty to disclose it."

The documents Mr Ponting admits sending to Mr Dalyell – described by the prosecution as having "a particular and unremitting interest in the fate of the General Belgrano" – were a letter drafted by Mr Ponting for Mr Heseltine in reply to one from Mr Dalyell, and a Defence Ministry minute about changes in the rules of engagement which laid down the circumstances in which British warshipscould engage the enemy.

When the trial began on Monday, Mr Justice McCowan accepted the prosecution's contention that part of the "Crown Jewels" was so sensitive that national security required that it should not be exposed in public.

Mr Mottram's evidence will continue in public today.

British Telecom places £13.7m order with BL

BY JOHN GRIFFITHS

BRITISH TELECOM has placed with Austin Rover, part of the state-owned BL group, what is believed to be the largest single order for light vans in the UK. The 3,000 Maestro vans, to be supplied between now and early 1986, have a showroom value of £13.75m.

In the contract are provisions for British Telecom to increase the order by 1,500, bringing the potential total value of the contract to more than £20m.

It provides a substantial boost to Austin Rover, which last year lost its title as UK market leader in the light vans sector to Ford.

A factor in the decline of its light van sales from more than 25,000 in 1983 to less than 19,000 last year was that it was phasing out its Ital van in favour of the Maestro unit, which did not go on sale until the second half of last year.

The company said yesterday that it believed it could recapture the van market leadership this year. The Society of Motor Manufacturers and Traders predicts that a total of 88,000 vans will be sold in 1985.

Orders from British Telecom, which operates one of the largest business vehicle fleets in Europe, have also been playing n substantial role in the revival of Freight Rover.

UK NEWS

Decisions on freight blacking shelved

BRITISH RAIL yesterday allowed the manual railway workers' unions to put off an awkward decision on whether to lift their blacking of some freight movements in support of the miners' strike.

At e meeting of the Rail Council, BR's main consultative body, the two sides agreed to shelve the issue in the hope that present peace moves in the coal dispute would be successful.

BR's decision not to press the matter yesterday is further proof that both sides are trying to restore relations damaged by the blacking action, by its impact on BR's freight business, and by the one-day strike it caused in the Midlands and London two weeks ago.

After a meeting of the Rail Council last week described as "serious and *constructive*," *yesterday's* session appeared to have been just as conciliatory and businesslike.

BR made clear, however, that it was looking for positive commitments from the unions. It told them that the coal dispute had cost the railways £273m – almost £50m up on previous estimates – and that it was a worsening position.

BR will hope that the unions will agree et least to relax their ban on the movement of iron ore trains and to allow immobilised wagons of coal to be unloaded to prevent chemical damage.

As well as not pressing for these *coocessions yesterday, BR did not* raise the threat of legal action for damages over the one-day strike and was playing down the possibility of 600 job losses arising from the loss of freight business owing to the blacking.

Pay remains one area of possible conflict, however. Mr Jimmy Knapp, general secretary of the National Union of Railwaymen, said: "Our members deserve and need a substantial increase in pay without selling jobs and without any strings attached."

☐ **PRIVATISATION** of British Airways has been postponed until next financial year, beginning in April, Mr Nicholas Ridley, Transport Secretary, said. Uncertainty surrounding the suit brought by the liquidator of Laker Airways against BA and other international airlines is understood to be the cause of the delay.

☐ **OVERSEAS** aid funds are to be made available to Leeward Islands Air Transport of Antigua to enable it to complete its proposed purchase of four British Aerospace Super, 748 airliners worth about £20m.

Cash for two of the aircraft (about $10m) has already been raised by the Caribbean Development Bank after an EEC rejection of funds for the airline unless it bought a Franco-Italian aircraft instead of the Super 748.

Pensions in 1985

OUR REPORT on January 24 of the Pensions io 1985 conference quoted Mr Brian Tatch, a senior partner with Clay and Partners, as saying two out of three U.S. pension schemes made refunds in 1984 compared with one in two the previous year.

Mr Tatch actually said that, of the U.S. schemes which made refunds in 1984, the assets represented two thirds of the assets of those schemes. The corresponding figure for 1983 was one balf. We apologise for the error.

Coal talks fail to find way for settlement

BY JOHN LLOYD, INDUSTRIAL EDITOR

THE EXECUTIVE of the National *Union of Mineworkers (NUM) will* meet today faced with a categoric demand from tha National Coal Board (NCB) that any further substantive talks between the two sides should focus on the issue of uneconomic pits and the board's right to close them.

The union has consistently opposed the closure of uneconomic pits throughout the miners' strike, which began last March, and there were strong indications last night that the executive would be unlikely to agree to talks on such a basis.

It is understood that Mr Peter Heathfield, the NUM general secretary, angrily rejected such e precondition in the "talks about talks" he *held for three hours* yesterday with Mr Merrik Spanton, the board member for personnel.

Mr Michael Eaton, the NCB's communications chief, said last night: "We told the NUM that we needed it clearly understood between us that we are going to be in a position to close collieries if we exhaust the colliery review procedure. The union wasn't able to agree to that, so we were not able to have an agenda for future talks."

Mr Arthur Scargill, the NUM president, said after hearing a report on tha talks from Mr Heathfield that the union had "tabled a number of initiatives which we believe could provide the basis to help resolve the present dispute." He repeated that the unioo would attend the talks without preconditions.


Mr Scargill: 'new initiatives tabled'

It is understood that these "initiatives" include the union's insistence, expressed in previous talks, that the board wholly withdraws its proposal to cut 4m tonnes of annual capacity and to shut five named pits – demands which the board regards as having been settled in the agreement made last October with the pit supervisors' union Nacods, in which it promised to "reconsider" these issues.

Mr Peter McNestry, the Nacods general secretary, fiercely attacked the board last night, saying that in seeking to tie the NUM down to e promise that it would accept the closure of uneconomic pits, it was worsening the Nacods settlement. Mr McNestry said that his executive, due to meet later this week, would urgently consider the issue.

"If they attempt to claw anything back from *our settlement, it will* cost them a lot. It's a dangerous road they're on," he said.

It was clear from an appearance on television last night by Mr Eaton and Mr Scargill that the two sides are as far apart as ever. Mr Scargill said of Mr Eaton: "The fact that be's talking about the closure of so-called uneconomic capacity means the butchery of our mining industry. If they do close these pits – which *are deemed uneconomic,* then that would mean the destruction of many many pits – 70 at least."

Mr Scargill said that the board's demand for prior assurances on closures before substantive talks was "an astonishing revelation." His ettitude means that the executive today will be faced with a national leadership strongly arguing for rejection of the NCB's preconditions, and that early talks to end the strike seem unlikely.

Only 182 miners abandoned the strike yesterday, a sharp drop on the number who returned to work on the same day last week. The board felt that this reflected the fact that there were talks yesterday between the two sides.

Ship manning levels 'on par with Europe'

BY BRIAN GROOM, LABOUR STAFF

MANNING LEVELS oo British ships have become so cost-effective over the past three years that they now match those of most North European competitors, the General Council of British Shipping (GCBS) said yesterday.

Improvements are believed to average about 20 per cent, though the council bas issued no figures. They range from zero on older vessels to much higher figures when new ships replace old tonnage.

The changes have not halted the sharp decline of the British fleet from 50m deadweight tonnes in 1975 to below 19m dwt, with the loss of 30,000 jobs since 1979, but shipowners believe that more efficient manning and new technology is vital to survival against competitors using cheap Third World labour.

British shipowners stepped up their efforts to use menpower more efficiently in 1982 after a gap was opened up by improvements among Scandinavian, West German and Dutch companies.

Mr John Whitworth, deputy director-general of the GCBS, said yesterday: "They made good progress in 1980–82, but so have we since then. Across the board we are on a par with most of our North European colleagues."

West Germany and Norway appeared to be out in front. Typical European crew levels for e foreign-going bulk carrier were 20–24 on an existing ship and 18 on a new one, but those two countries would shortly introduce high-technology vessels which would cut crews below that level, Mr Whitworth said.

The GCBS is keen to portray the changes not as crude manning cuts, but reductions made possible by improved technology such as automated engine rooms, which do not require a continuous watch.

Heseltine assesses Trident at £10.4bn

By Peter Riddell, Political Editor

THE TRIDENT missile system will cost roughly £10.4bn if the sterling exchange rate remains around its present level of $1.10 over the 20-year life of the project.

This represents an increase of about £3bn in the estimated cost over the past three years on the basis of official figures made available at Westminster yesterday. The Trident programme is particularly sensitive to the sterling/dollar rate since about 55 per cent of the value of work is being incurred in the U.S.

Mr Michael Heseltine, the Defence Secretary, told the House of Commons yesterday that the updated cost was £9.28bn. This was on average 1984-85 prices and on the basis of the established expenditure convention of taking the exchange rate at last June when it was $1.38.

An indication of the effect of changes in the exchange rate on costs would be made available to the relevant Commons committee, be said. These figures showed that at $1.38 each one cent movement changed the bill by £30m, whila at $1.10 each cent change was equivalent to a £50m alteratioo in the total cost of Trident.

On this basis the cost worked out et about £10.4bn if the current sterling/dollar rate continued throughout the project. This compared with an original estimate of £5bn in 1980, which was raised to £7.5bn in 1982. In March 1984 the figure was revised up to £8.75bn.

Scottish and Japanese yards to build offshore oil vessel

BY MAURICE SAMUELSON

TWO LEADING UK and Japanese companies have joined forces in a bid to win orders in the increasingly competitive international market for offshore oil production platforms.

They are Brown and Root-Wimpey Highlands Fabricators, based at Nigg Bay in north east Scotland, and Mitsui Engineering and Shipbuilding, Japan's sixth biggest shipbuilding concern.

They announced in London yesterday that they had agreed on a design for e floating production vessel (FPV) suitable for use in the marginal oilfields that will be characteristic of the next stage of activity in the central North Sea and in other parts of the world.

The agreement, reminiscent of that between BL, the UK state-owned car company, and Honda, might help to remove the doubts about the future of Highlands Fabricators. The only order on its books is the large contract it won last September as part of the £230m development of Marathon's Brae field in the North Sea.

The Energy Department said last night it welcomed the fact that a British yard was involved in developing North Sea technology and that the costs, responsibility and risks would be shared.

Mr Kevin Barry, chief executive of Highlands Fabricators and chairman of the new concern, claimed to have identified 14 North Sea fields in which the floating production vessel would be suitable.

Describing the vessel as "simple, practical and economical," he said it could be completed in 21 mooths and would be cheaper than alternatives, which were on the market for between £80m and £100m.

While the above-water deck section will be built at Nigg Bay, the underwater section, representing between a quarter and a third of the value of the basic structure, will be manufactured by Mitsui in Japan.

The two sections will be "mated" at sea in the most convenient location.

The Highlands-Mitsui system is the latest of a number of floating or semi-submersible structures developed for deep waters for marginal fields where a beavy fixed structure is uneconomic.

Last year, a tension leg platform – moored to the seabed by cables – was installed on Conoco's Hutton field.

British Petroleum has devised a platform, called Swops, consisting of an adapted oil tanker, the first of which is to be built by Harland and Wolff, the Belfast shipyard.

It's a healthy life in the Civil Service

BY WALTER ELLIS

EVIDENCE has emerged to confirm the popular belief that civil *servants are a breed apart.* They live longer than other people, drawing their pensions after retirement for an average of more than 13 years.

A report, published yesterday by the Civil Service Medical Advisory Service, shows that the UK Civil Service is a healthy organisation.

The number of premature deaths among the 530,000 civil servants and 83,000 other state employees is between 40 per cent and 50 per cent lower than among comparable men and women in other jobs.

Absence from work because of illness occurs at about half the *national rate and is still declining.* It is less than in comparable organisations such as the Post Office. Only six in every 1,000 civil servants retire prematurely on health grounds each year and the total has hardly varied over the last 20 years.

Much of the credit for this performance – described by the Cabinet Office as "impressive" – is given to the Medical Advisory Service itself, which not only provides civil servants with excellent medical care but does its best to ensure that they do not become ill in the first place.

The service believes that its ability to promote health and *prevent disease has been greatly* enhanced by the inauguration of an occupational health nursing service. The report noted that there is considerable scope for occupational medical and nursing assistance.

Although most civil servants work in areas of low potential hazard, some 80,000–90,000 are employed in areas of greater hazard.

"It's a question of good management," the management and personnel office said yesterday. "The Civil Service looks after its people well."

Insolvency sanction may be modified

By Kevin Brown

THE GOVERNMENT'S proposals for the automatic disqualification of directors of companies facing compulsory winding up may be modified in the face of widespread protests, Lord Lucas of Chilworth indicated in the House of Lords last night.

Lord Lucas, the Government's *trade spokesman faced criticism of* the proposals from all parts of the Lords during the first day of detailed committee stage debate on the Insolvency Bill.

A succession of Conservative, *Labour, Alliance and Independent* peers claimed the proposals were contrary to natural justice and would inhibit the recruitment of non-executive directors as "company doctors."

There was substantial support for alternative amendments moved by Lord Bruce of Donington, Labour's trade spokesman, and by a group of Cooservative and Independent peers, led by Lord Benson (Independent).

Both would leave disqualification of directors at the discretion of the courts after an application by the Trade Secretary, the Director General of Fair Trading, the liquidator, or a creditor, who would have to prove fraud, negligence, or failure to keep proper books of account.

Lord Lucas told peers: "I am quite willing to accept that the Government may not bave got this clause completely right." He added: "The arguments are oot set in concrete. I and my colleagues are oot rigid in any way at all about what we have set down."

Television/Christopher Dunkley

A shepherd's delight

Nothing in the 1985 new yeer seeson is giving me more sheer pleasure tben *Seabrook's Year*, BBC2's Monday night series about a Norfolk shepherd. In the clever and loving hands of writer/producer Dan Haworth (wbose series *Fred* ebout the steeplejack Fred Dibneb was the best series of 1982) this collection of five films is proving thet Ricbard Seabrook is oot only e shepherd and a woodmen but a shrewd businessman, a philosopber and a comedian. Haworth'e programmes with their bappy cboice of characters, their delightful pbotography—by Arthur Smith on this occasion—and their unashamedly emotionat music are supreme examplea of the way in which televistoo can sometimes fulfil the famous three eims of broadcasting — to inform, educate and entertain—all at once.

*

In the days when Tim Brooke-Taylor wes known chiefly as one of The Goodiea the only other place you tended to come across him was in the further reaches of Radio 4. At that time be seemed quite funny both in bis television series and on the radio. Now, all of a sudden, it is impossible to turn the hox on without TBT popping up in some new guise and the attraction ie beginning to wear thin. On Tuesdaya he chairs the BBC1 game *Loose Ends*, on Thursdays he crops up in a Goody-like rôle on C4'e *Assoulted Nuts*, on Fridays be appears in London Weekend's *Me And My Girl* and on Saturdays he acts as chief berker on Granada's talent show *The Fome Gnme*. He seems a pleasant and ordinary enough chap but you can have too much of a good thing and during his live presentation of the talent on Saturday his smile atarted to look the teenlest bit forced. Considering some of the acts perhaps that was hardly surprising, hut this ia eupposed to be sbowbusiness.

*

Judged across its entire range, Channel 4 seems to me marginally more interesting than some other networks today. Perhaps the price we have to pay for its less routine programmes — *Diverse Reports*, say, or *Shape Of The World* — is to have much of its schedule packed with material which would look unremarkable on the other three cbannels. For instance, *The Price* is an excellent thriller but it would not look out of place on BBC 1, BBC 2 or ITV. The same goes for *Hill Street Blues* and *St Elsewhere*, the comedy series *Relative Strangers*, the quiz show *Tell The Truth*, and dozens of other series. Thanks to this sort of content the cbannel now seeme capable of fulfilling its promise to capture about 10 per cent of the audience fairly regularly. But was that really the idea when the fourth channel was planned?

Phoebe Nicholls and Alan Howard in Poppyland

In the words of Chief Executive Jeremy Issacs: "The Broadcasting Act requires us to cater for tastes and interests not catered for by ITV; to encourage innovation in the form and content of programmes; to provide over all e service of a distinctive character. We are asked not for more of the same but for something different." Channel 4'a latest Top 10 is headed by a movie and that thriller *The Price*, then come two episodes of soep opera, three game shows, two lots of snooker and the American import *Hill Street Blues*. Innovation? Distinctiveness? Something different?

*

At least we can welcome the imminent disappearance of two Channel 4 series which were undeniebly different but in the worst possible way: Tariq All called it "ghettoisation." *Black On Black* and *Eastern Eye*, the first for West Indians and the second for Asiens, eppear to have been sustained by the belief mede familiar by the Netional Front thet to be black or brown-skinned meens that you are inherently different from other people and that you ebould therefore be separated into distinct groups and treeted differently. Writing about the two series earlier this month their executive producer Jane Hewland put it like this:

"Minorities don't need 'Iternative' programming. Alternative to what? The whole point is that they haven't got anything in the first place. So what C4 must do first is provide them with the same kind of television 'institutions' everybody else bas — programmes they can recognise as 'theirs'."

To maintain that if you are black Cockney or a brown Liverpudlian then *Top of The Pops* cannot be for you, nor *Channel 4 News* nor *The New Pacific* nor *Soop* nor *Half of Mirrors* nor *Playschool* nor *Hill Street Blues* nor *The Big Match* nor *Game For o Laugh* hut that you, by virtue of your skin pigment, must bave an entirety separate set of "institutions" is to think like a South Africen Right-winger.

As it happens all the programmes named above bave recently featured bleck or brown people prominently—hut supposing they badn't? Are we really asked to believe that those with Asian ancestors cannot appreciate the beauty of a symphony concert if (in e country with a 95 per cent white population) the musicians all happen to he white? Or that a West Indian is incapahle of finding Phil Silvers funny? What patronising racist cant.

*

BBC2'a new series "Screen Two" started out supremely well wlth A. F. N. Clarke's army drama *Contact* set on the Irish horder, and followed up impressively with *Poppyland* in which Alan Howard played the 19th century drsme critic Clement Scott wbo, having discovered—indeed invented—"Poppyland" on the Norfolk coast promptly caused its ruination by publicity. But what on eerth possessed a producer as experienced as Ken Trodd and a director as scrupulous as Gavin Millar to have anything to do with the third work, *Unfair Exchanges*?

Watching it was like spending an hour and ten minutes with one of those people who hang around the reception areas of newspaper offices telling everybody that invisible rays are coming out of the telepbone and getting et us. Julie Walters played the loopy lady and—the script having been written by Ken Campbell, presumebly on the backs of old phone bills (yes I know they are covered in printing, that could explain a lot)—otber characters included a randy dwarf and a heavy breather.

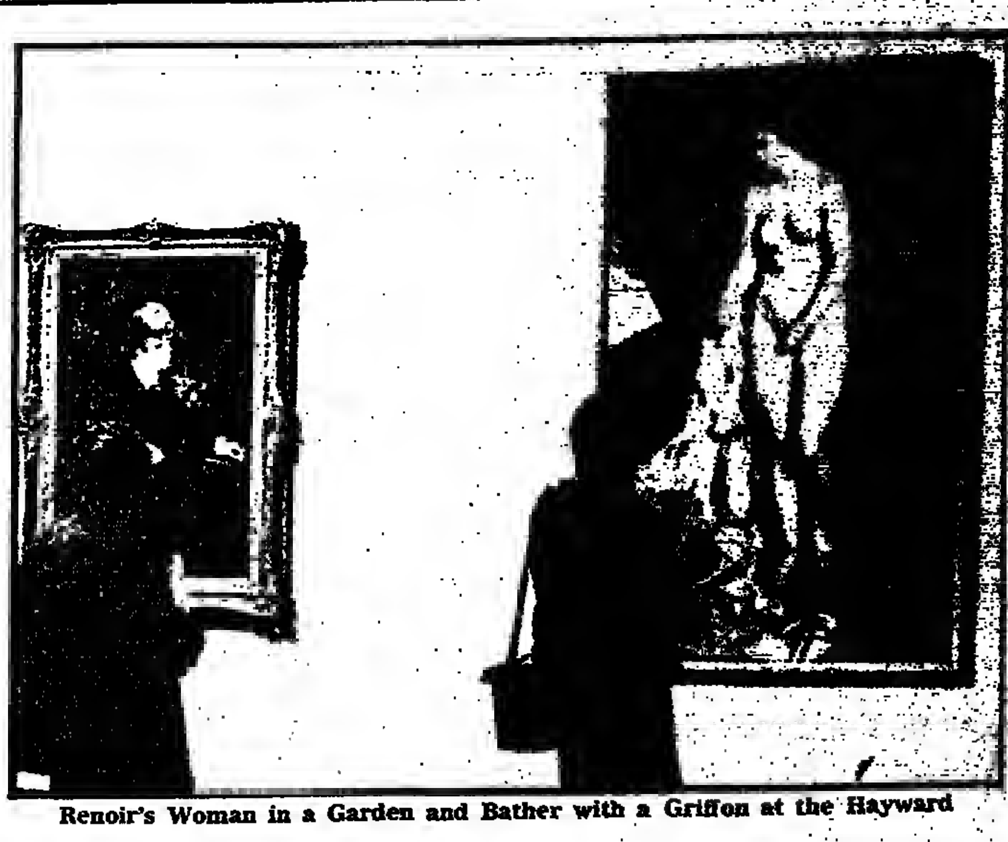
*

Perish the thonght that one sbould follow in the footsteps of those critics who, after only a few episodes, scoffed at the chances of *Granada Television*'s last soap opera. It was called *Coronation Sireet*. The new one, built around a Manchester health centre and called *The Practice*, is deliberately different in style and structure: there is a richer social mix and a clear effort to "do a *Hill Street Blues*" in the sense of achieving a busy-busy multi-layered plot. There are two dangers, however: medics and patients are too polarised with the doctors portrayed as the founts of all wisdom and the public too often as ninnies, an idea which is both old fashioned and unrealistic; and the *Hill Street* style comedy is a toucb too studied.

The genius of the American seriea is the way that the "comedy" invariahly grows realistically out of the plot and is often bang up against the boundaries of tragedy. In The *Practice* Kev, the bus conductor who keeps booking his vasectomy and then running away, is close to farce. His wife chasing him with ber sausage-slicing knife was absurd, and his sojourn in the garden shed plain silly. Yet these are relatively minor criticisms of what looks like a formidably powerful basic formula.

*

That is my last word for a wbile; I am relinquisbing this space to take up a cbellenge from Penguin to write a book in nine weeks about the future of televiston.



Renoir's Woman in a Garden and Bather with a Griffon at the Hayward

A major Renoir exhibition

The first major exhibition of the paintings of Renoir in London for nver 30 years opens at the Hayward Gallery tomorrow. It will continne daily (except Good Friday) until April 21 with an admission price of £2.50 (*£1.50 for students, pensioners, etc, and on Mondays*).

Over 120 of Renoir's works are on view, from all periods of an active career which stretched from 1864 to hia death in 1919. The sbow, organised by the Arts Council, provides an unrepeatable opportunity to appreciate the genius nf the most popnlar of the Impressionist painters hnt one whose reputation has sometimes been dimmed by the very profusion of his output—there are 6,000 known works—and his fondness in later life for painting over-ripe and fleshy nudes.

This exhibition, which will be reviewed at length on this page shortly, helps to re-establish the genius of Renoir while confirming his own desire to be regarded as an unequalled painter of women. The show, sponsored by IBM, will later travel tn Paris and Boston. The admission price also includes access to work by the British abstract artist John Walker, in a show sponsored by Johnny Walker whisky.

A Summer's Day/Polish Theatre

Martin Hoyle

The seaside park bench, cut-out tree and expectantly dangling hangman'e noose at once set the note of wryly shrugging humorous resignation. The Polish Theatre in Hammersmith's King Street is presenting the British premiere of Slevomir Mrozek'e 1983 comedy. Though best known for his *Tango*, done some years back by the Royal Shakespeare Company, the pleywright now displays a tendency to Shevian paradox and Gilbertian cbop-logic immedietely accessihle to an Anglo-Saxon audience; but shot througb with a beaming Slav desperation.

In Adrian Gwillym's impeccably Edwardian costumes two would-be suicides argue over wbose lot is the sadder. Jonathan Hecket's Unsux (unsuccessful: is there a Polish equlvalent of Wally?) is a born failure, unable even to kill himself with all the ingredients to band. Sux, on the other hand, immaculately self-*possessed*, laments his gift for eternal success and envies the other's failure. "If you hed succeeded in your aspirations that would have been the end of hope. As it is, you have an aim."

Their talk hovers on the hrink of the surreal. "I am an excellent swimmer, and you can take it from me lt doesn't being happiness," ie a fair sample of the (as it transpires) faintly menacing formality of tone.

Both men are attracted to e passer-by (the stylish Linda Marlowe looks stunning; Tadzio's mother perhaps) and act 2 finds her choosing between ineffectual clown and world-weary tragedian. Unlike Shaw, Mrozek reveals this charming menipulator not as the supersex but as herself manipulated—indeed, existing only in the men's respective images of her. In favouring the clown, "I'm choosing myself" —the self she prefers. "I mean so much to him it makes me mean more to myself."

The play is about dignity as much as the arbitrary distinction between comedy and tragedy. The hero, surprised doing physical jerks on the beach in chaste period hathing dress, is reduced to buffoon; the clown ultimately achieves hia end (in both senses), unwittingly and with bitter irony exalted to tragic status.

This sardonic little bagatelle —two intervals are surely excessive in such a short work— is beautifully performed. Mr Hacket's lank-haired pudgy wimp resembles, with his round shoulders and perpetually bent knees, a human question-mark. Philip Voss'a urbane purr conceals the vocal flick of whiplash malice in his terminally achieving go-getter. Jacek Laskowski's translation flows admirahly; and Dee Gradidge provides three sets of deftly euggestive economy, evocatively lit by David Richardson. Peter McAllister's direction takes in a stylised drowning that is unexpectedly, chillingly powerful; like the play itself.

Marivaux and Messager/Strasbourg

British presence at Europe's crossroads

If Britain bas acted with characteristic independence by actually, inexplicably, closing its consulate in the self-styied "crossroada of Europe," the seat of the European Parliement can, culturally speaking, take it. Strasbourg is well-placed both to enjoy the co-productions more common in continental theatres than in Britain, and to play host to companies from ecross the nearby borders.

The Collettivo di Perma recently hrought *Macbeth* and *Henry IV* to Alsece; the Opera du Rhin with its three hases (Strasbourg, Colmer, Mulhouse) has just borrowed Avignon'a *Véronique* and awaits Cologne's *Don Pasquale*, Zurich'e *Ariadne auf Naxos* and Baden'a *Xerxes*, besides joint efforts with other Frencb houses.

Meanwhile, the Théâtre Nationale de Strasbourg, its impressive exterior hiding a small auditorium and friendly ber like the clubbier provincial English theatres, has just given a stylish end thoughtful production of Mariveux'e *Heureux Strntagème* which would certainly be the bighlight of a London critic's working week unlese our own subsidised giants had something up their sleeves.

The measured pace and sombre mood here given to Marivaux's intrigue of amorous bluff and love-through-jealousy reminded me of Shared Experience in the same author's *Fausses Confidences* two years ago. A terminal melancholy grips this twilit society. Perhaps Andre Marcon'a unsmiling Dorante (in spectacles and shirtsleeves like e perpetual student a century and e half before Chekhov) is a pointer not only to the Enlightenment hut to the deluge to come. The etetely rhythms of Jacques Lassalle's production are occasionally dierupted hy hursts of energy, improbable physical contact that takes even the perticipants by surprise.

The gavotte-like propriety is jolted as the Countess tugs the Marquise, her supposed rival, from Dorante.

The fopplsb aonthern Cbevelier (Serge Avedikian) and his man Frontin, played by Hammou Graia as a sulky, sligbtly sinister pretty boy, flirt with the maid Lisette; all tbree end up on the ground, ambiguously entangled. The Cbevalier pulls Frontin to his feet and the two men freeze in the resultant near-embrace for a second of ambivalent sexual attraction.

This sombre reading (the heroine's "Quel plaisir, Lisette; je suis contente" sounded like whistling in the dark) was compellingly played and spoken, notably by Dominique Reymond's scheming Marquise, her presence and personality fainlly recalling our own Sara Kestelman. Only the Act 1 set, en oval opening like a buge eye through which characters clambered or in which they percbed as on e windowsill, was ugly and ewkward. Mozartian strains and deepening sbadows left a haunting impression of the vulnerahllity of relationships, the dangerous ambiguity of love.

Trespassing on my musical colleagues' territory may be forgiven in the case of that hybrid form, operetta. Actually a Music Director at Covent Garden and an early champion of Debussy's *Pelleas*, Messager is unfailingly musicianly, though at times be aounds like a recycled Offenbacb, et others looks forwerd to Edwardian musical comedy (Lionel Monckton, say), and at others resembles Edward German. He certainly knew French volces. In the cbarming little grey and gilt auditorium of the opera house some sounded small, but apart from a comic who plainly belonged to the straight theetre, not an ugly note was heerd.

Dating from 1898, *Véronique* boasts some charming numbers and consistently refined orchestration. Above all it lives for two duets, "Swing high, swing low," its wistfully elegant sensuousness marking Messager as a master of this minor genre, and the donkey song, "Trot bere and there," beloved of generations of Palm Court duettists. Here it was stolen by a pair of quizzically cocked ears, as sardonically expressive as any seen on a biped critic. The beast in question gave a number of ill-tempered ahrugs in its attempts to unseat the soprano who, smile freezing, clutcbed a passing chorister for support. Françoise Pétro'a charm and professionalism carried ber through. Her light voice (a pupil of Winifred Radford, she haa worked at Glyndebourne) is just rigbt for this music, and she made a sympathetic figure of the aristocrat who poses as e shop-girl to observe ber fiancé.

The latter was a young American, Malcolm Walker, who will tour with the Glyndebourne *Carmen* in Peter Half's production this autumn. Possessor of a light, French-schooled haritone, tending sligbtly to strain at the top, be may he the best-looking toreador around.

The production'e naturalism was of the eort where a grimly determined child pleys purposefully with a ball in the background and waiters cross the etage from time to time in elaborate self-consciousness. Disneyland effects were not avoided by the hright sets and costumes. The mixture of eagerness and apprehension on eech singer's fece at the end of a song was endearing: so were the umpteen reprises of the jolly final chorus before a phlegmatically uninsistent audience. Though Alain Pâris'a conducting was mnch too rigid for the singers, the orchestra played well and the chorus, trained by John S. Craven, was excetlent. A Britisb presence still lingers in Strasbourg after all.

MARTIN HOYLE

Chaka Khan/Hammersmith

Antony Thorncroft

Crowding them in et Hammersmith is Chaka Khan, a rather chubby little lady who is being touted as the best soul singer since Arethe Franklin, as if that rether grand lady was a thing of the past. In performance Chaka more nearly epnroaches Tina Turner.

You can tell ebe aims for the enormous aoul market hy making those piercing little yelps with whicb soul singers feel obliged to pepper their ects. But in flow she is an adept disco funk mercbant and ber performance is greatly helped by an excellent hand in which the guitarists ere exceptional: I eveo forgive them picking out notes with their teeth.

Alicia de Larrocha/St John's

David Murray

Miss de Larrocha drew only a modest, though properly enthusiastic, audience to Smith Square for ber BBC Luncbtime Recital on Monday. That must have been because of her unfamiliar all-Spanlah programme, but it was still a mistake: the special delighte of ber playing are never keener than when she gambols in her national repertoire. At the last moment she chose to include a bit of Albéniz, presumably hy way of reassurance—but too late, and anyway "El Puerto" (from the first book of *Ibéria*) hadn't the tingle she usually givea it.

The rest was vintage Larrocba, if not particularly embitious music. Three sonatas by Scarlatti's Spanish pupil Soler were delectably treated. Soler were delectably treated. There was more compromised Spanishry in Oscar Esplá's last piano piece, a "Sonata Española" sown with modernisms like glass-splinters, but elways retreating to the safe Romantic vein that Granados effectively exhausted. The pianist'a effortless panache gave it fleeting life.

Thera were also four pieces from the *Musica Callada* of Federico Mompou, almost 92 and atill thriving. Those required neither *feux d'artifice* nor any other sort of artifice, but only serene tact, for which Miss de Larrocha can be relied upon

Andromache/Donmar Warehouse

Michael Coveney

Cheek hy Jowl's final presentation in their three-week Warehouse season is the British première of Racine's first greet success, enthusiastically noliced by Martin Hoyle at last year's Buxton Festival. Orestes arrives in Epirus after the Trojan Wars to confront Hector'e widow, Andromacbe, and is sucked into a vortex of passion and recrimination which also involves Heten's daughter, Hermione, and Archilles' son Pyrrhus, the king of Epirus.

Each of this quartet has to struggle with the past while suffering in the present, and each has an altendant confidant. The depth of the play's passion ia thus sounded in a sort of mythical gevotte, old passions end current misunderstandings bouncing around like rubber balls, but rubber hells on string.

This was my firet exposure to Cheek by Jowl. The production by Declan Donnellan (director) end Nick Ormerod (design) is neat but unmoving. It is hempered by a translation by David Byer that strains efter idiomatic ease but which feils entirely to find any sort of rhythm, let alone e rhythm suitable to Racine.

The show is set in a Mediterranean post-Second World War atmosphere, Orestes and Pylades resembling white-suited naval cronies of the young Prince Philip. The ladies all look like the Andrew Sisters, hair bunched in nets, lips rouged, heele high. If the costumes had been competently executed, this might have worked. The acting, too, I found uncomfortable to watch with the exception of Amanda Harris's Andromache, combining forcefulness with beggerdness, and Sadie Shimmin's spittingly vengeful Hermione.

In the end, though, this widespread reduction of classic pleys fur studio end touring consumption is not e trend I welcome. In the case of an author like Recine, the problems of rhetoric and steging are ducked, rolled into a cosily convenient fringe peckage with safety the norm and risk at a premium. The fringe methodology pioneered by Shared Experience and Joint Stock is in sore need of reoewal.

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

Jan 25–31

Theatre

LONDON

Noises Off (Savoy): The funniest play for years in London, now with an improved third act. Michael Blakemore's brilliant direction of backstage shenanigans oo tour with e third-rate farce is a key factor. (836 8888).

Starlight Express (Apollo Victoria): Andrew Lloyd Webber's rollerskating folly has 10 minutes of Spielberg movie magic, an exciting first half and a dwindling reliance oo indiscriminate rustling around. Disneyland, Star Wars and Cats are all influences. Pastiche score oods towards rock, country and hot gospel. No child is known to have asked for his money back. (834 6184).

42nd Street (Drury Lane): No British equivalent has been found for New York's Jerry Orbach, but David Merrick's tap-dancing extravaganza hes been rapturously received. American Clare Leach is a real find as Peggy Sawyer, and Margaret Courtenay has a field day (836 8108).

On Your Toes (Palace): Rodgers and Hart's 1936 musical is a geouine tonic. American jazz dance collides with the Ballets Russes. Gems include There's a Small Hotel, Glad to be Unhappy and the Balanchine ballet for Slaughter on Teoth Avenue. (437 6834).

Mother Courage (Barbican): Fine RSC presentatioo by the design team of Cats – John Napier and David Hersey – with Judi Dench as e scavenging, music ball and finally moving Courage pushing her alaborate cart of stage machinery through the Heavyside Layer. Howard Davies directs, good support from Trevor Peacock, Stepheo Moore and Zoe Wanamaker. (628 8795).

Two Into One (Shaftesbury): Donald Sinden and Michael Williams head the cast of a blissfully funny farce by Ray Cooney io the old Whitehall tradition. An irate manager, Lionel Jeffries, declares: "There's far too much sex going on in this botel, and I'm not baving any of it." Not to be missed. (379 5399).

Waste (The Pit): Riveting RSC revival directed by John Barton of Granville Barker's 1907 once-banned play about a politician destroyed by an adulterous liaison leading to an abortion, a death and a suicide. Daniel Massey, Judi Dench, Charles Kay, Tony Church and Mark Dignam in a stellar cast. (628 8795).

The Hired Man (Astoria): Worthwbile new musical of Cumbrian agricultural and war-time life, based on a novel by Melvyn Bragg. Persuasive anthems, marches and chorales composed by Howard Goodall, with a high standard of singing and musical direction. Lyrics and book less secure. (734 4287).

NEW YORK

Cats (Winter Garden): Still a sellout, Trevor Nunn's production of T. S. Eliot's children's poetry set to treody music is visually startling and choreographically feline, but classic only in the sense of e rather staid and overblown idea of theatricality. (239 6262).

42nd Street (Majestic): An immodest celebration of the heyday of Broadway in the '30s incorporates gems from the original film like Shuffle Off To Buffalo with the appropriately brash and leggy hoofing by a large chorus line. (977 9020).

Torch Song Trilogy (Helen Hayes): Harvey Fierstein's ebullient and touching story of a drag queen from backstage to loneliness incorporates alt the wild bistrionics in between, down to the confrontation with his doting Jewish mother. (944 9450).

Dreamgirls (Imperial): Michael Bennett's latest musical has now become a stalwart Broadway presence despite the forced effort to recreate the career of a 1960s female pop group, a la Supremes, without the quality of their music. (239 6200).

A Chorus Line (Shubert): The longest-running musical ever in America has not only supported Joseph Papp's Public Theater for eight years but also updated the musical genre with its backstage story in which the songs are used as auditions rather than emotions. (239 6200).

Noises Off (Brooks Atkinsoo): The closest Broadway gets to the British farce tradition is this import of Michael Frayn's funny backstage view of all the slamming doors and dropping drawers. (245 3430).

La Cage aux Folles (Palace): With some tuneful Jerry Herman songs, Harvey Fierstein'a adaptation of the French film manages, barely, to capture the feel of the sweet and hilarious original between high-kicking and gaudy chorus numbers. (757 2626).

Brighton Beach Memoirs (Neil Simon): If he wasn't sure before, playwright Neil Simon can expect a long run of his funny as well as touching childhood reminiscences now that the Nederlander organisation has generously decided to name the theatre after the generation's outstanding box office draw. (757 8646).

Glengarry Glen Ross (Golden): The Chicago cast from the Goodman Theatre provided David Mamet with o Pulitzer Prize for his latest work thet pits fast-talking real estate salesmen against the world and each other. (239 6200).

WASHINGTON

The Marriage of Figaro (Folger): The company's own adaptation of the Beaumarchais script will also use Mozart's music and da Ponte's libretto in an ambitious eclectic production. Ends March 10. (546 4000).

Royal Shakespeare Company (Opera House): With Broadway enthralled with the repertory productions of Much Ado About Nothing and Cyrano de Bergerac, stars Sinead Cusack and Derek Jacobi are bound to have e successful Washington run as scheduled until Feb 17. Kennedy Center (254 3770)

TOKYO

Barefoot in the Park. The Japanese version of Neil Simon's piece directed by Yutaka Kobayashi. Long Run Theater, Shimokitazawa (Tokyo's new theatre district). (414 0081).

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Why a U.S. trip was no holiday

Robin Reeves on Align-Rite's training policy

"THERE IS a goldmina of talent here. The general level of academic achievement and technical disciplines is way ahead of California. I would have hired any one of the 160 for our California plant straight away."

The speaker was Jeff Lee, operations director of the newly opened Bridgend plant of Align-Rite Corporation, a California-based manufacturer of photo masks for the semi-conductor industry.

The 160, almost all from Glamorgan Higher Education institutions, had applied for the 50 jobs created as a result of Align-Rite esteblishing its European operational base at Bridgend. And 37 of tha successful applicants did, indeed, have the opportunity to test their abilities at the California plant because the U.S. company decided to ship its Welsh recruits to its home base for a six-month training programme last summer.

The success of tha programme can he judged by the fact that the Bridgend plant—officielly opened yesterday by the Prince and Princess of Walas—has just two Americans to oversee operations as it goes into prodnction.

Align-Rite's view of the 37 young Welshmen and women who went to California, was that they showed enthusiasm and tenacity in mastering what was for all of them an entirely new technology—and they ended up running the Californian manufacturing and sales operation for a six-week period.

Meirion Lewis, who was in charge of inward investment promotion at the Development Corporation for Wales for 25 years before joining Align-Rita as e local director, says that this is the first time, in his experience, that any overseas company has undertaken a training programme of such magnitude.

In one sense, Align-Rite had no option. By U.S. standards, it is a small company, with a total Californian workforce of 120. It could ill afford to second a significant number of its key personnel to Wales to get the new European facility up and running.

On the other band, photo mask making was previously unknown in Wales, so there was no expertise to be recruited locally. The way forward emerged when the Welsh Office agreed to make a generous grant available towards the cost of the £0.75m training programme.

Semiconductor photo masks are chrome and emulsion photographic plates which perform a vital function in the design, manufacture and testing of silicon chips.

The workforce Jeff Lee eventually selected last year had backgrounds mainly in physics, mathematics and engineering but some held qualifications in

L to r: John Traub, Meirion Lewis and Jeff Lee with (seated) James MacDonald, the U.S. company's president

business studies. Half were men and half women mostly in their late teens or early twenties and, coming from an area with a 20 per cent unemployment rate; a large number bad been looking for a job for periods of up to a year.

Lee's view of the calibre of the applicants is shared by his colleague, John Tranb, who decided to coma over to manage the Bridgend plant because be and his wife felt that their children would have a far better education in Wales than back home. Traub is now managing director at Bridgend.

To allay any anxieties, the company laid on a reception in e Cardiff botel, before departure, to explain to parents precisely what would be bappening to their sons and daughters.

They were housed in a flats complex close to the Californian facility and training took place in a leased adjacent building, equipped with offices, a theatre and visual aids. After three months, mainly in the classroom—less than originally envisaged—trainees pressed for more "bands on" experiance in the manufacturing area in accordance with their chosen specialisations.

Local management and supervisory support was gradually withdrawn until, for the last six weeks, the Bridgend workforce were running the Burbank plant alone during a newly created night shift. This involved not just the manufacturing side but also European sales—it is easier to talk to Europe by phone from California at night because of the time difference—and the acceptance trials of tbe equipment to be installed in the new Bridgend facility.

"FANTASTIC." "Can't fault it in any way." "I e the only way it should be done." These were typical reactions of those who undertook Align-Rite's training programme.

For Huw Fraser, 24 (right) what he describes as "an exceptionally interesting job" arrived after eight months and dozens of job applications. His grasp of the technicalities of the business so impressed the company during his Californian stay that he was given the task of carrying out acceptance trials there for £4m of equipment now installed in the Welsh plant. He now heads the computer aided design department—yet with an OND in engineering and a subsequent degree in mechanical engineering from the Polytechnic of Wales, near Pontypridd, he saw a career originally in production engineering, and certainly not in computing.

A careers talk by Jeff Lee prompted Roz Davies (far right) to apply, and to her surprise she was accepted. "I thought they really wanted people with a compnter or maths background," says 20-year-old Roz, who with nine "O" levels and "A" levels in English, Sociology and Scripture, was set on a teacher's training course

She found the Californian training schedule harder than she expected, but performed well enough to end up as head of the department that shrinks down silicon chip designs to their final size.

A British military theory finds favour among Japan's businesses

Nigel Campbell explains the popularity of the Lanchester strategy

THE CONNECTION between F. W. Lanchester, who designed one of the first British cars, Admiral Lord Nelson, the famous British naval hero, and a modern Japanese marketing consultant is not one that immediately springs to mind. And yet to tha Japanese business community this eccentric link is becoming increasingly familiar as managers learn of the military strategy used by all three to great effect.

The consultant in question is Nobuo Taoka, who, since its foundation in 1976 has turned his firm, Lanchestar Systems KK, into one of Japan's leading marketing consultancies. His company bases its advice entirely on Lanchester strategy, a strategy of military confrontation developed by the British engineer and mathematician F. W. Lanchester which adds considerabla weight and precision to the well-known American principles of market segmentation and "niche strategy." Since its emergence from the shadows of bistory in the early 1970s, Lanchester atrategy has reinforced the Japanese tendency to adopt a "laser beam" epproach to market penetration into one precise segment after another, until the onslaught becomes a veritable "cascade" into the market as a whole.

It was quite by chance that Taoka came across a cursory reference to Lanchester Strategy 30 years ago in a Jepanese government document. He was intrigued to discover that it bad been used by the U.S. Navy against the Japanese during the war in the Pacific. Along with a colleague, Taikohbob Onoda, he began seriously to researcb Lanchester's military principles and to develop ways of applying those principles to business competition.

Over the past 13 years, Taoka's ideas have become well-known and widely accepted in Japan. Tokyo bookshops have shelves full of his works, including such titles as "Lanchester: An Introduction to the Strategy" (pnblished in 1972), end more recently, "Practical Applications of the Lanchester Strategy" (1982). Total sales of his books have reached over 1.5 million copies and, on top of that, 1,000 copies of a three hour long tape slide lecture have beensold to companies throughout Japan.

Taoka's following among tha Japanese business community is sucb that two Lanchester Clubs have been founded, in Tokyo and Osaka, at which the practical epplications of Lanchester Strategy ara regularly discussed by senior executves from large organisations such as Matsushita, Sumitomo and Kanebo cosmetics, as well as from smaller enterprises.

A latterday Leonardo da Vinci, F. W. Lanchester was responsible for far more than the construction in 1985 of the first in a line of pioneering British cars. He filed more than 400 patents and wrote on sucb diverse subjects as music, poetry and aerodynamics. It was during the great war that he published his work on the theory of conflict.

Man-to-man

He developed two laws to govern military combat. The first applies to ancient warfare wbere tha battle ia a series of man-to-man duels. In this case the fighting strength of an army is proportional to the efficiency of its weapons times tha number of troops. The second law applies to modern warfare. Here, the fighting strength of an army is proportional tothe efficiency of its weapons times the square number of troops. The square function arises because in a modern battlefield concentration of fire power is possible and the larger army is able to wipe out the smaller army at a much greeter rate than might casually be supposed.

Based on Lancbester's work, Taoka has built a quantitative framework for the analysis and formulation of market share strategy. It gives particular strategic significance to certain market sbare targets, to the degree of market share differences between competitors, and to the overall market share "patterns" that tnese create.

The over-riding message from Lanchester's second law is the importanca of concentration. Although Lancbester was the first to show the effects mathematically, the importance of concentration has been known to military and naval commanders down the ages. Intelligence reports suggested to Lord Nelson that be would bave fewer sbips at Trafalgar than the combined French and Spanisb fleets. If be did battle in the conventional manner, he would be defeated. He therefore planned to sail his ships through the middle of the enemy fleet. Having boldly cut the enemy in half, be then planned to concentrate his ships on encircling and attacking one balf of the opposing fleet. With tha aquare law in his favour, he would achieve such a crushing victory over ona balf of the enemy fleet that he would still have enough ships to take on the second balf with some bope of success.

For today's business strategist, intent on entering a new market, the concept of concentration by splitting the enemy force, and attacking one part at a time, is one of the most important to be derived from Lancbester Strategy. Another is the principle of aiming for dominance, whicb follows from the extra stability gained from a high market share. The third is the principla of target separation. Strategy must distinguisb between smaller competitors, which can be attacked, and larger competitors egainst which the company mnst protect itself.

Combining the principles of dominance and concentration, It becomes eminently clear that market penetration depends on building a series of strong positions in different segments of the market. Wherever possible, Taoka recommends divinding the market geographically, as well as by product and consumer category.

This was part of Canon's strategy against Rank Xerox in the UK in the late 1970s and early 1980s. First its resources were concentrated on Scotland. Having captured about 40 per cent of the market, Canon began to attack selected and tightly defined regions in England, before making a determined push in London with a numerically much larger salesfnrce.

Having penetrated the market hy achieving dominant positions in a series of geographic markets the newcomer is then ready to invest more heavily in product development in order to broaden its range of product markets and consolidate its position.

Persistently dominant market leaders combine all three strategies—they have national coverage and distribution, and concentrate particularly hard on product development and differentation. Thus Pedigree Petfoods has used its comprehensive product range and regular launch of new products to hinder attempts by Unilever wbich possesses low-cost raw materials and considerable marketing strengths, to penetrate the British petfoods market.

These atrategies can be further refined by considering the most appropriate course of action for companies, with various rankings within different market share patterns. Take the atrategy for market leaders. At one end of the scale—a "premium" market where it has over 42 per cent and fulfils othar conditions—it can rely mainly on innovation and product development to defend its various market segments. But at tbe other extreme, where no company has over 28 per cent of the market, the market leader must take ell sorts of action to achieve a more stable position. This may include trying to acquire competitors, and teking adventage of newly emerging parts of the market to make a pre-emptive strike.

Segments

The strategies for companies ranked number two, three or four are roughly similar to each other in all of the market share patterns. Like newcomers, they must look for segments of the market which they can dominate, and which wherever possible are insulated from the attack of stronger companies. This may involve attacking other "followers" in order to build a stronger position for tha final atteck on the merket leader.

Of course, business strategy is more than just market share strategy. But given the emphasis which the Japanese place on this aspect of corporate strategy it is unfortunate that Lanchester's followers in the West are largely confined to the narrow worlds of mathematicians and operations researchers.

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Challenge for the City

THE White Paper proposing a new framework for investor protection in the UK comes just in time. Existing legislotion is outdoted and incomplete. And the upheaval whicb is now changing the shope of the City of London bas added real urgency to the debate, since the present rules ore not able to cope with the new competitors and trading practices whicb are emerging.

Althougb there are reservations about the structures heing proposed by the Government, there are no quarrels with its guiding principles. These include a welcome empbasis on maximum disclosure and competition in order to give rein to market forces. The objective is to produce a clearly understood set of general principles which will be rigorously enforced and which will ensure fair treatment between different products competing in the same market. It is also right that self-regulation should play an important role.

The proposals will make it an offence to engage in o broadly defined rangeof investment activities without official authorisation. The powers to provide sucb approval will lie ultimately with the Secretary of Stote, but in practice be will delegate them to seporate regulatory bodies which will bave considerable autonomy and be manned largely by practitioners. The Government has an open mind about wbether there there sbould be two sucb bodies — splitting packaged investments like unit trusts and life policies oway from the rest — or one. Since the memberships would be bound to overlap considerably, there is a strong argument for just one.

Limited powers

Whatever the number, the new bodies will be unique bybrids. It is unprecedented for a ststutory power of authorisotion to be given to a private-sector body.

Once they are up and running, the Secretary of State will have limited powers to cbange their rules, unless they are deemed anti-competitive or clash with the UK's international obligations. He will be able to withdraw his authority only if the new bodies fail to fulfil their prescribed task. He will be able to hire and fire the chairman of the securities agency, in consultation with the Governor of the Bank of England, but the Governor will have the final say in the appointment of other board members.

Behind this approacb lies the belief that a private-sector body will be better equipped to react quickly to a fast changing market plocethan would a statutory agency, whicb would be more directly answerable to the Government. It sbould also he less bureaucratic, and the costs well be met by users rather than taxpayers. The system has been designed to make it *difficult for future governments* to change its cbaracter without ne wlegislation. It bas also been aimed ot securing thn support of the City, whicb will bave to provide most of the necessary resources.

Checks

The argument agalnst this is that a system wbicb is run mainly by market practitioners will become the captive of thoae wbom it is supposed to be regulating, and will fail to take account of the broad public interest. The regulators will be unwilling to make waves, since they will be standing in the water themselves.

With this threat in mind, the White Paper puts forward some important checks and balances. Board members will include users and lay members as well os practitioners, and their rules will be scrutinised for anti-competitive elements. The boards' annual reports will be laid before porllament, and an independent tribunol will be set up as a final court of oppeal against the boards' rulings.

We bave argued in favour of an Indenendent statutory agency rather than the Government'a anproach, on the view that sucb a body would be better equinped to bondle the powerful financial conglomerates whicb are emerging in an increasingly Internotional market ploce. The ball is now squarelv in the City's court. If the White Paper is to be credible, the City will bave to sbow in the next few months that it is willing to commit tr substantial resources—both in terms of money and bigh-grade personnel—that will be needed to make the proposals work. The cbairman of the securities board, wbo sbould be appointed within a few weeks, will bave an absolutely key role.

No consistency on aid policy

THE British Government's approach to overseas development appeors to revolve around three basic precepts: to further British commercial interests in the Tbird World; to encourage more market-oriented economic monogement within individual developing countries; and to concentrate aid on those countries which are truly needy and are likely to make productive use of British resources. By tbe end of this week, the Government will have stood all of these principles on their beads, if, as expected, it refuses to participate in a new development facility being organised by the World Bank to assist African countries which agree to undertake major programmes of economic reform.

The Africo facility is likely to be launched at a meeting of aid donors in Paris tomorrow and on Friday, but *tbere is* little chonce of the World Bank realising its hopes of raising $tbn spreod over three years. This was originally considered to be the bare minimum the new fund would require to make a significant impact on living standards and policy reforms in sub-Sabaran Africa. Indeed, it is now probable that the Africa Facility will be created with the support of only one out of the five leading industrialised countries—France.

Cutting back

Britoin, Germany, Japan and thn U.S. bave all endorsed strongly the philosophy of tying development aid to major economic pollcy reform. The new facility is being proposed precisely because of the World Bank's perception that the current crisis in Africa presents an unprecedented opportunity to win the acceptance of new economic policies in African countries where markets and competition bave been anathematised for 20 years. Nevertheless, it appears that these four countries will be unable to find the relotively small sums —no more than $50m a year each—required to join the new facility.

The U.S. response bas at least had the virtue of consistency ond plain speaking. The Reagan Administration has strongly opposed expansion in thn World Bank'a financial resources and was largely responsible for the situation whicb made the Africa programme necessary—by cutting back its contribution to the International Development Association, the soft-loan arm of the World Bank.

Having cut the IDA down to $9bn from the $12bn demanded by all the other aid donors, the U.S. bas made plain from the start thot it wanted more direct control over its foreign aid spending.

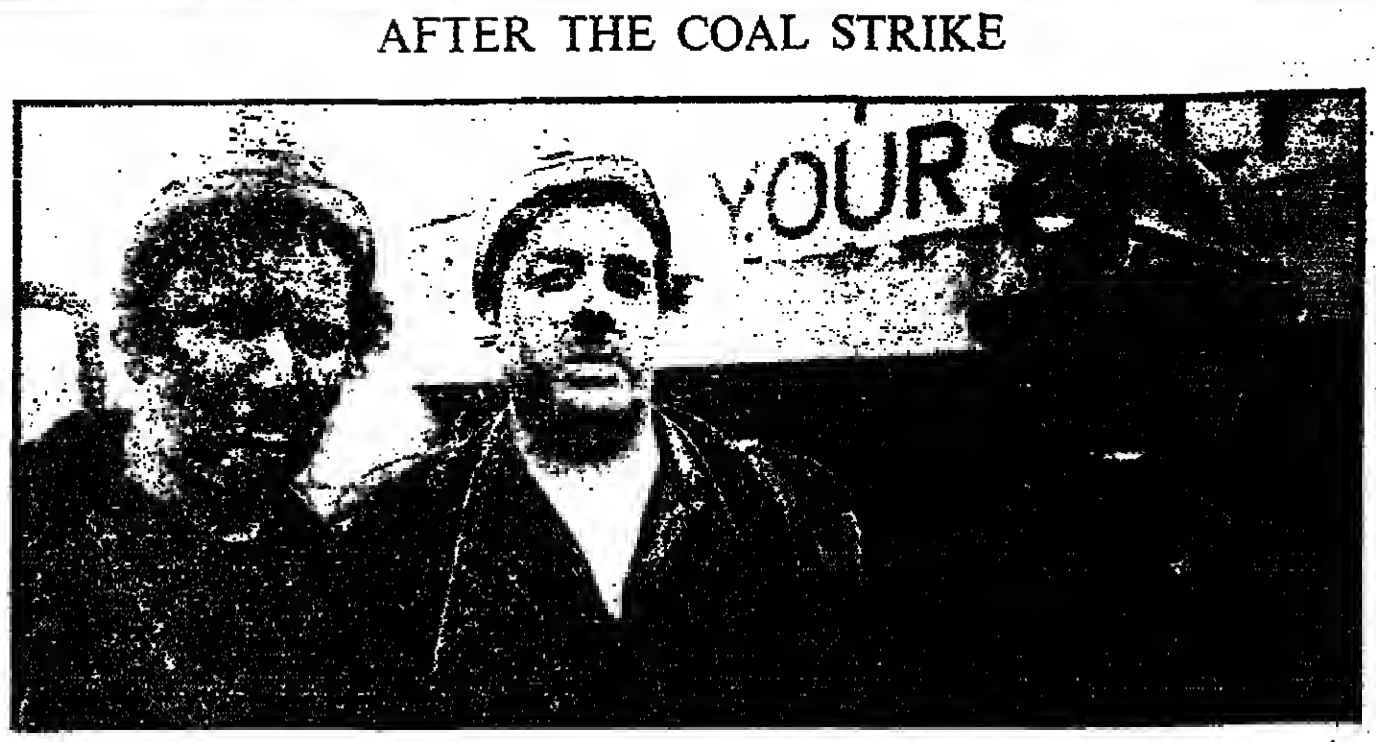
The positions of Germany and Japan are less rigid, but still retain an element of consistency. Although these countries originally supported a $12bn IDA, they blocked a bid last year to supplement IDA's $9bn resources with a further general fund, to be contributed on a voluntary basis by non-American donor countries. It was never llkely that they would respond enthusiastically to an Africa focility, particularly because sub-Saharan Africa is seen *in both* Japan and Germany as a predominotely Frencb and Anglo-Saxon sphere of influence.

The British Government's attitude, on the other hand, is simply incomprehensible. Britain was in the lead last year in urging the creation of a special fund to top up the IDA. The Foreign Secretary has since confirmed that $200m bas been notionally ollocated in the foreign aid budget in case a supplement to IDA is agreed in the future.

The only coherent justification the Government can give for its reluctance to join the Africa facility is its desire to reduce the proportion of multilateral spending in the aid budget—running about 47 per cent, well above the international averoge of 31 per cent. But why should Britain prefer bilateral to multilateral aid? If it is to promote British exports, then Britain's key position in African morkets sbould in any case bring benefits to exporters, from spending by the World Bank through an Africa Facility, whicb may well limit procurement to countries which participate.

If the aim of bilateral aid is to ensure recipients follow appropriate policies, then the Government surely cannot believe other aovereign nations will be more willing to oceept advice from Britisb civil aervants than to listen tn the World Bank. The arguments are overwbelming for Britain to support the creation of thn new Africa Facility.

AFTER THE COAL STRIKE



New jobs: the battle to keep communities alive

By Brian Groom

BRITAIN'S National Coal Board may he about to win the most bitter industrial dispute for decades. But a further, tough—some say insurmountable — task will remain. This is to show tbat it bas a social conscience in easing the problems of communities whose pits it closes.

Belatedly the NCB is having a go, by setting up a subsidiary, NCB Enterprise, to belp create new jobs where it bas axed the old ones. But even some senior Coal Boord executives have private reservations about how much can be achieved.

The company bas been operating *since October* with a budget of £10m, of which nearly £700,000 has so far been committed. Eventually its funds may be raised to £25m. Its real test will come when the strike ends.

The Board is boping for o surge of applications for retraining or help in settine up businesses from the 20,000 miners who bave expressed interest in redundoncy payments of up to £33,000. It also wants to attract outside companies.

Old bands in the job creation game say the NCB faces frightening nroblems. For one thing there is far less mobile investment about than three yeors ago, and botter competition to attract it. For another, it wants to lure companies to villages wbere morale may be low or industrial relations soured by the acrimonious strike.

Areas like that around Cortonwood in South Yorkshire, for example, whose proposed closure sparked off the strike, are littered with derelict pits, coke plants, steel mills ond slagheaps—the detritus of the industrial revolution.

It will be hard enough to attract conventional enternrises, let alone those in high-technology electronics. Says one observer: "I wouldn't advise a business to go lo a mining village now."

Another adds: "Coal miners are unlikely in the main to turn out to be good entrepreneurs. The wbole system has been dominated by a paternalistic union and a paternalistic emplover."

Mr Merrik Soanton, cbairmen of NCB Enterprise and Coal Boord member for personnel, disputes this gloomy view. He says mlners are resourceful and self-sufficient.

The NCB is the lotest in a line of large companies to devote resources to job creation. In the private sector Morks and Spencer, Shell, ICI and National Westminster Bank ore among those whicb bave contribnted to local initiatives, though in aggregate, funds remain in relatively sbort supply. According to on estimote by Business in the Community—set up to encourage sucb local involvement — British companies probably spend about 0.1 per cent of pre-tax profits on community projects compared with 2 to 5 per cent by some U.S. companies.

NCB Enterprise, meanwhile, is taking advice from BSC Industry, the job-creation company whicb has spent or invested obout £50m since it was set up 10 years ago by British Steel. BSC Industry claims to hove been outstandingly successful. It hos belped creote more than 20,000 jobs so far and expects to add another 16,000 by 1986.

The Coal Board would be pleased if it could emulote that. But it remains a blg if. BSC's problems were buge in scale, but many of the steel closures were in sizeable towns with a tradition of union co-operation aod reasonable communications —not small, isolated villages at tbe end of narrow, winding lanes. It also started earlier.

BSC Industry provides onother lesson; bowever successful these kind of job-creation efforts, they fall far short of o complete answer to the unemployment problem creoted by closures in beavy industries. Many of the former steel towns still bove jobless rates of more than 20 per cent.

Take Corby, for instance. Thanks to the combination of a central location and the kind of financial incentives normally available in more remote areas, the town has undoubtedly been successful. The local development centre, supported by the public authorities and BSC Industry, has attracted £500m of state, European Community and private investment creating 6,000 new jobs.

The town now has 350 companies, of wblch only 70 predote the closure of the steelworks four years ago. The closure of tbe BSC works and allied industries destroyed 12,000 jobs and pusbed Corby's unemployment up from 8 to 22 per cent—but by last summer it was bock to 16 per cent.

No one, however, claims to he fully satisfied. A redrawing of the travel-to-work area has pusbed unemployment up again to 20.2 per cent.

Some observers are surprised thot the NCB did not set up a joint venture with BSC Industry, and belleve the reason wos that the Coal Board desperately wanted to be seen to be doing something of its own. Mr Spanton denies this, saying the NCB scheme is independent because it will be different in timescale and geographical spread.

NCB Enterprise is, nevertheless, learning lessons from its steel counterpart. BSC Industry will help the Coal Board by training NCB personnel, and is helping it evaluate major projects.

Five years ago BSC Industry switched from easy leasing deals (wblch were virtually grants) to loans. It thus became more cost-effective, cutting its contribution per job created from £1,400 to £500.

NCB Enterprise plans to provide equity or loan finance, and to monitor companies closely. It also intends to belp businesses with premises through rent subsidies or converting ex-NCB buildings.

The NCB also intends to support or create local enterprise agencies. (BSC Industry bas withdrawn from a direct role in its 18 "opportunity areas" but supports independent agencies there.) The Coal Board has already agreed to back 17 of these, and plans eventually to support a network of 25.

Outsiders say the Coal Board was unwise to insist that companies qualifying for assistance should be "firmly committed" to drawing at least half their workforce from former NCB employees. BSC Industry never insisted that ex-steelworkers should be employed, preferring to create job opportunities of any kind in areas where these have been lost. Now NCB Enterprise is prepared to be more flexible.

Critics still fear the NCB scheme will encourage miners with no entrepreneurial experience to sink their redundancy money in dubious ventures.

A key question is: how genuine are the new jobs. Trade unionists make constant claims about "cowboy" employers who set up paying low wages and flee when the incentives run out. Corby trades council says many factories are paying wages of £50-60 a week.

Mr Fred McClenaghan, who is in charge of the town's development centre, refutes the "cowboy" charge. The local failure rate of 20 per cent among new ventures is similar to that of BSC Industry in general and below the nationol average of a third.

In BSC Industry's case *local* job displacement has probably been small—some towns were so dependent on steel that there was little other industry to displace. On the other hand there has been a shift of jobs between different areas of the country.

The evidence is sometimes confused. One fire appliance maker cut its workforce from 500 to 150 when it moved from Essex to Ebbw Vole, but RS Components expanded from 660 to 1,150 omployees when it moved from London to Corby.

NCB Enterprise is aware of the dangers. It will try to creatn genuine jobs by linking up with the Manpower Services Commission to meet *some* of the skill shortages which have appeared in the econnmy.

More amhitiously, NCB Enterprise is trying to identify products which could take the place of imports.

NCB Enterprise will never completely offset the effect of pit closures. The best it can do is bring hope that a limited omount can be done to reverse the climate of decline and despair. But if it succeeds, that will be a lot better than nothing.

WHY SOUTH HUMBERSIDE'S DREAM HAS NOT YET COME TRUE

IN THE autumn of 1982, Mr Patrick Jenkin, the then Industry Secretary, opened a collection of 30 workshops set up by BSC (Industry) in the South Humberside steel town of Scunthorpe.

The worksbops stand in the shadow of the defunct Normanby Park steelworks, shut the prevlous year with the loss of 4,200 jobs in a rundown of steel employment that bas cut the corporation's Scunthorpe workforce from 20,000 to 7,400 in six years.

In froot of the TV cameras, Mr Jenkin acknowledged that the workshops could play only a small part in job creotion—but be boped they would be the seedbed for some companies to expand.

Since then it is clear how painful job creation bas been. For the unemployment rate in whot was a boom town in the 1970s remains stubbornly high at *25 to 28 per cent*. In the meantime, some tentative conclusions can be drawn which may be relevant to NCB Enterprise.

● Very few of the 65 businesses which bave tried their band in the workshops have been set up by ex-steelworkers. Most remaln one or two-man businesses with some foilures. Moreover, almost no ex-steelmen bave been involved in the creation of businesses assisted by the Soutb Humber Business Advice Centre (SoHBAC) formed with BSC assistance in 1983 to stimulote employment.

Of the 85 projects helped by it, only one—three men dismantling vebicles — involved ex-steel corporation workers. Experience suggests the work ethic and mores bred in a blg steel plant do not sit easily with the demands of a small business. "It's difficult to create budding entrepreoeurs out of ex-BSC people," says the local cbamber of commerce.

● The business advice centre is not in the business of making steelmen into entrepreneurs, but in "creating employment opportunities" in the widest sense. SoHBAC bas helped a significant number of companies to expand or come into South Humberside, but it is questionable what *direct* benefit has accrued to former BSC workers from the 400-500 jobs created in this way during the past 18 months.

A very higb proportion of these new jobs — and of those created by tbe expansion of indigenous companies — are *for* women. The largest company assisted by the business advice centre, for example, is Intermode G, a Nottingbam-based clothing manufacturer employing 130, mainly female staff, in Gainsborougb.

SoHBAC has assisted many smaller and generally male-employing companies in Scunthorpe like Vogt Timber, an enginering company designing roof trusses and Topkote, a plastic and resin-coating concern. These companles, though, require some skills most steelworkers do not have, and it is unclear bow many ex-steelworkers have retrained for such jobs.

● New jobs bave come from two major sources. One is the expansion of sizeable establisbed companies which are often absent in the older coal mining areas. In Scunthorpe these *have included Sooner* Foods employing 1,600, Corah making ladies undergarments ond builder and systems manufacturer J. Jellinek.

The other is from companies arriving in Scunthorpe on the back of regional aid and including Hygena and the Christie-Tyler furniture subsidiary HLF. It will become more difficult for Scunthorpe and other areas suffering economic stress to attract new industry, however, if the Government phases out or steeply downgrades regional assistance.

● Women bave become much more infinential as breadwinners. Many ex-steelworkers who took redundancy appear to have either dropped out of the jobs market, settled for retirement or are still looking for a job. "The great dream that they *could set up their own business* has gone bust," says one local councillor.

Some companies begun by former BSC employees have got off the ground. Trevor Millson, for example, has an expanding brick-laying company—but his biggest customer is BSC itself, which has contracted out refractory work.

Don Ross is a director of Mulvin Engineering, a dismantling and building company based on the Normanby Park workshop site which has expanded to 23 employees in two years. Mr Ross, however, was a project manager at BSC, not a labourer.

Nick Garnett

Men and Matters

Well-set in Whitehall

Fasblonable commmntators draw a grim plcture of the civil service in Britain today. They tend ao depict a downbearted army on the retreat from politicians' attacks, its morale sapped by job losses, low pay, ethical anxieties and repeated molebunts.

But this, it seems, is mere conjecture. The truth is our hureaucrats are blooming.

They may not look it as they pad, pale-faced and brows furrowed, in their (generally) crupled Marks and Spencer suiting along the corridors of power, but Whitehall's mandarins are quite disgustingly bealthy. And that is official:

A report— The Health of the Civil Service — published yesterday, spells out the rough, robust facts and figures:

The premature death rate of UK civil servants is little more than balf tbat of other comparable age groups in the country.

Most civil aervants can expect to draw their pensions for at least 13 years after they retire.

They are off sick only about half as often as other workers, and the rate of absense is falling.

Only six out of every thousand civil servants retire prematurely because of ill-bealth each year

Little wonder that the Civil Service Medical Advisory Service, which produced the report, allows itself a gentie pat on the back.

But then again, civil servants bove been taking their health seriously for some time. It was over 250 years ago — in 1723 — that the Board of Customs and Excise first appointed a doctor, on a part-time basis, to look after its eployees.

As the report says, since then the "concept of medical care for civil servants has developed steadily."

"I suppose it was only a matter of time before they found a way of taking it"

Amazing feats

Every time I think I have written the last word about Japanese enterprise and ingenuity, up pops another example to con*found* me.

This time it comes from a Japanese cbemical company, celled Chuel Spotting a barely noticable gap in the market, it bas produced a liquid which, wben applied to your legs, will prevent your socks slipping down.

According to KEA Development, the UK-based consultonts, the new product, "Quick Touch" comes in a plastic contoiner with a sponge tip. A few dabs, the company calims, will hold socks in place all day, even during strenuous exercise.

Executives suffering from cold feet as opposed to limp socks, bowever, should turn instead to the U.S. for help from a new producl called "Fire Feet."

Made from berbs, the stuff can be sprinkled into socks and will keep your feet warm for up to a month, the manufacturers claim.

Space ban

The French get a little upset from time to time about the infiltration of Anglo-Saxon culture into their way of life—and no wonder.

Telepbone callers walting to be connected ot one Paris office are entertained by a rendering of that mournful, backwards-glancing ditty, "Yesterday" by Poul McCartney, of Beatles fame.

Not quite wbat you would expect from one of the country's most thrusting and progressive organisations, the national space ogency.

Smoke signals

The message that smoking is bad for business ia getting through to more Britisb companles.

Employees at Whilbread, the brewer, Hoechst, tbe pharmaceutical firm, and an investment bank that prefers to remain nameless, have this week started a two-month course run by an organisation called Habit Breakers.

Such is the enthusiasm at Whitbread for the scheme that management is offering to reimburse half of the course fee (about £200) to those who keep off the weed for six months.

Simon Morgan, a self-confessed ex-smoker, who runs Habit Breakers, is hard-bitting when he points out to managements just what the smoker can cost a company.

"Forty per cent of heavy smoktrs die before retirement age, compared with 15 per cent of non-smokers," he says. "While people who smoke more than 20 o day bave twice as mucb time off work due to illness as do non-smokers."

Latin style

Mrs Thatcher's advisers have made an interesting move that shows o certain sensitivity to the wanderings of Opposition leader, Neil Kinnock.

She has agreed to meet Sergio Ramirez, Nicaragua's new vice-president, who is to make an unofficial visit to London next month.

The *Sandinista* government approached Number Ten hardly expecting a positive response in view of Mrs Thatcher's close support of President Reagan's cool policies to the left-wing Nicaraguans. To the Sandinistans' aurprise, however, Downing Street extended an invitation within a week.

Mrs Thatcher'a response is seen as not unconnected with Kinnock's well-publicised presence in Managua for the iooguration of President Daniel Ortega recently.

Kinnock even managed to make world beadlinea wben dragged from his bed to meet the Cuban leader Fidel Castro.

Watching from the sidelines as Mrs Thatcher meets a man from the government that the U.S. believea is bent upon exporting revolution, will be former prime minister Edward Heath.

Quletly Heath has upstaged both Kinnock and Thatcher. He has establisbed through his Brandt Commission activities a friendship with Castro that last autumn led lo him visiting Cuba.

Golden rule

The directors of a City bullion firm thought it might be useful to have a alogan to promote business and asked the staff for suggestions. One entry was: "Ingot We Trust."

Observer

The full re-opening of Gibraltar's border

Ready to roll on the Rock

● Sir Geoffrey Howe (left) and Sr Moran

Robert Mauthner, Diplomatic Correspondent, considers the issues likely to be raised at next week's talks in Geneva

IN THE portrait gallery of former incumbents of tha Spanish Foreign Ministry in Madrid ona figure stands out from the rest. Unlike his distinguished colleagues who have gone down to posterity in languid drawing room poses, Senor Fernando Marie Castiella is depicted standing pugnaciously with one hand in pocket in front of the Rock of Gibraltar, tha monument to his major achievement. For it was Sr *Castiella* who, as General Franco's Foreign Minister, closed the border between Spain end Gibraltar in 1969 in what proved to be a vain attempt to force Britain and the population of Gibraltar to transfer sovereignty over the Rock to Spain.

Today, as intensive preparations are being made for next Tuesday's full re-opening of the border following the agreement reached in Brussels last November by Sir Geoffrey Howe, the British Foreign Secretary, and Sr Fernando Moran, his Spanish opposite number, Spain's pre*vious hard-line stand is no more* than a bad memory.

Though it would be an illusion to believe that there bas been any *fundamental change* in Spain's attitude towards sovereignty over Gibraltar, under Sr Felipe Gonzales's Socialist government it has radically modified both its *strategy* and tone. General Franco'a notorious dictum that Gibraltar would fall into Spain's lap like a ripe fruit if enough pressure was exerted is considered nowadays to have been a complete misjudgment.

Instead of ripening, the fruit has become harder and the Gibraltarians more resentful as a result of tha Spanish freeze, which has caused both economie and social hardships on the Rock.

No ona is more aware of the counter-productive effects of Spain'e previous policy towards Gibraltar than Sr Moran, whose "softly, softly" approach bas contributed in no small measure to the current detente between Britain and Spain over Gibraltar.

Sr Moran, at tho risk of losing political support at home, has not hesitated to procleim publicly that the solution to the Gibraltar problem is necessarly a very long-term affair and thet nothing can be acheived without the consent of the population of Gibraltar.

That kind of language created the right climate for the Brussels agreement, which involved important concessions by both sides. In return for the lifting of all border restrictions—in 1982, the Spanish Government had made a first gesture hy opening the frontier to pedestrian traffic only—Britain accepted for the first time that the issue of sovereignty over Gibraltar would be discussed et negotiations between London and Madrid.

For the Spanish this was a real breakthrough. The Lisbon *Declaration* of *April 1980* also contained e similar trade-off, but stated merely tbat negotiations would be beld to overcome *all* the differences between Britain and Spain on Gibraltar. There was no specific mention of the word "*sovoreignty*," bowever, a faet which led to the disavowal of tha agremeent by public opinion and tha failure by the Spanish Government to implement it.

Having succeedod in persuading Britain to accept the principle of discussions on sovereignty, there can be no doubt that the Spanisb delegation at the Geneva talks, wbleb bave been timed to coincide with the opening of the Gibraltar border, will bring up the issue at the very beginning of the meeting.

The present Spanish Government does not, in fact, question Britain's legal elaim to Gibraltar, which was ceded to it under the Treaty of Utrecht of 1713, though Madrid does dispute Britain'e rigbt to the isthmus on which Gibraltar airport has been built.

Spain's own claim is based essentially on geographical and anti-colonial erguments—Gibreltar ie described as "Europe's last colony"—which, it is felt in Madrid, should carry as much weight now as a 270-year-old treaty.

Despite Sr Moran's emphasis on gradualism, collaboration and consent by the Gibraltar population, the British delegation in Geneva, which will be led by the Foreign Secretary, will hardly be surprieed by Spain's early concentration on the most delicate of *all* the espeets of the Gibraltar problem.

A certain ritual has to be respected when two nations bave not been talking to each other ebout their most burning mutoal problem for as long as Britain and Spain have. Besides, both bave their domestic public and political opinion to worry about, so e certain amount of initial posturing is in order.

For Sir Geoffrey Howe, who will beve Sir Josbna Hassan, the veteran Gibraltar Prima Minister, at his elbow, the riposte to the presentation of Spain'e case on sovereignty will be equally predictable.

No doubt, the voluminous legal tomes on the Treaty of Utrecht and other relevant documents will make their dusty apparition at the Geneva conference table. But Britain'e most telling argument is enshrined in both the Lisbon Declaration and the Brussels agreement of November 1984, which has resuscitated the earlier document.

The British Government will fully maintain its commitment to bonour the wishes of the people of Gibraltar as set out in the preamble of the 1969 Constitution, the Brussels agreemont says.

The preamble to the Constitution, which granted substantial internal self-government to Gibraltar, states in the cloarest possible terms that tho British Government "will never enter into arrangements under which the people of Gibraltar would pass under the sovereignty of another stato against their freely and democratically expressed wishes."

Since even the Spaniards admit that the people of Gibraltsr, in their vast majority, are not in favour of a transfer of sovereignty from *Britain to Spain*, there appears to be little room for progress on this crucial issue for a long time. Paradoxically, that suits both governments, though Spanish officials would die rather than edmit it in poblic.

The gradualist epproacb of the Spanish government to the issue of sovereignty is not based only on the conviction that this is the best way of winning the bearts and minds of the Gibraltarians.

Spain's policy is influenced et least as much by the realisation that any agreement on e transfer of sovereignty would immediately face the Government with a full-scale external and domestic crisis which could well undermine tha very foundations of the young Spanish democracy. For King Hassan of Morocco has made it clear that he is waiting only for that moment to pounce on Spain's North African enclaves of Ceuta end Melille.

The uncompromising official Spanish position is that the two enclaves are an integral part of Spanish territory and will remain so for ever.

As long as tho British plug remains firmly embedded in the Rock, Madrid'e position on the enclaves *remains just* abont tenable. Once that plug is pulled out, Spain would find it much more difficult to counter *Morocco's claims*. What *is* worse, the Spanish Socialist Government might not be abla to stem the right-wing nationalistic tide which could engulf the country in the event of any *Moroccan military action* to annex the enclaves.

Spain therefore needs time—perhaps as long as 10 years—to *accustom its people that there* is a logical and inevitable linkage between the problems of Gibraltar and the North African encleves. The long time-scale envisaged should at least ensure that Madrid will not block progress on the more practical problems, sueb as air links between Britain, Spain and Gibraltar and economic, touristic, military and cultural eo-operation, wbich both sides have egreed to discuss.

Britain, Gibraltar and Spain all believe that the opening of the border will lead to a big boost in tourism, with its usual economie spin-off, both on the Rock and in its depressed Spanisb hinterland, the Campo.

The Spanish Government elearly hopes that the progressive economic integration of Gibraltar with the Campo will eventually lead to a political solution of the kind cautiously foreshadowed by Sir Anthony Kersbaw, the Conservative *chairman of the House* of Commons' Foreign Affairs Committee. Gibraltarians, he said during a recent debate, might eventually find it possible "to live in a Spanish dimension, without losing their identity."

That phrase leaves many question *unanswered*. But *it is* at least a reflection of the more open-minded attitude now prevailing in both London and *Madrid, and augurs well for the* negotiations on practical issues likely to dominate the first phase of negotiations on Gibraltar.

The Israeli economy

The dream that can no longer be afforded

By Joyce Starr

ISRAEL'S PRESENT economic crisis was discovered by the *international Press*—and by most Israelis—between June and September 1984, when Israel'a external debt reached the highest per capita in the world, inflation spiralled towards 450 per cent, and there was close to a $1bn drop in reserves during e two-month period. Yet the economic woes thet overtook Israel last year were not simply the result of poor policy planning or mis*management during the* late 1970s and early 1980s, nor even an inevitable consequence of the tremendous defence burden.

What went wrong? Israel'e economic difficulties have roots in an economic structure predicated on a national commitment to a European welfare state whieh is no longer viable. Despite the stunning economic successes of the 1950s and 1960s—rivalling even Japan—growth *per se* has never been the guiding philosophy or policy objective of any Israeli government.

The emphasis of the early years was on settling immigrants, providing jobs and housing, and increasing the availability of goods. Widely-shared beliefs in welfare concepts thrust the government into all aspects of economic life. By 1976, the ratio of government expenditures to GNP was 97 per cent and half the labour force was serving in tha public sector. Few non-communist governments could claim as large e role in their economies.

Defence and security requirements also led to major government involvement in the economy, with defence spending averaging about 25 per cent of overall government expenditures in non-war related years and almost half the total in periods of confrontation.

Government preoccupation with security and with the daily welfare of its people meant that little serious ettention was devoted to the relationship between a sound economic structure and national defence, *and the long-range survivability* of the nation in economic terms.

Economic activity and *growth* have been adversely affected over the years by a low rate of mobility resulting from labour contracts making it almost impossible to fire workers, by enormous tax disincentives (the Israeli worker *is the highest* taxed in tha world), and by annual army reserve duty for men between the ages of 21 and 55, for periods ranging from 45 to 90 days.

It is impossible to discuss Israel's economie policy without reference to the Histadrut labour union. The Histadrut was established in Palestine in 1920, preceding Israeli statebood by almost three decades, with a *majority of its members* active in the Labour Party. In eddition to providing bealth, ednecation, and welfare benefits, and to negotiating wage agreements, the Histadrut is the single largest employer after the Government — owning through a subsidiary bolding company one of the country'a two leading banks, an insurance company, construction firms, an industrial bolding company and agricultural co-operatives.

Tax reforms will probably prove crucial

Strikes in Israel are so common that Israelis like to joke to foreigners: "Sorry, the rountry is closed." The power of the Histadrut as lebour negotiator and lerge employer makes economic manoeuvrablity or belt tightening not only difficult, bnt nigh on impossible short of en external crisis such as war. *Last November General* Yisrael Kessar, the Histadrut secretary, made it clear that the Labour-led Nationel Unity Government could not expect preferential treatment from his organisation, *although it is* beeded by bis own party chief, Shimon Peres.

Significantly, 30 per cent of *the Histadrut's membership* in 1984 indentified with the Likud, thus reflecting the union's entrencbed position within *Israeli society*.

Mr David Levy, deputy prime minister under both the Likud and the present National Unity *Government, is today the champion* of the Likud bloc in the Histadrut and of Israel's "downtrodden" workers. With Histadrut electinns planned for 1985, possibly in tho spring, the Likud'e levorage is expected to increase and with it Mr Levy's power as a potential spoiler of the Government'a austerity package.

A *key challenge* in the years ahead will be e dramatic restructuring of the economy so as to reduce the wide involvement or direct ownership by the Government — and by extension the Histadrut — in almost every sector, while greatly expanding private sector opportunities and income. At present, more than 30 per cent of Israel's labour force is engaged in government service, as rompared to 22 per cent in industry and 6 per cent in agriculture.

Tax reforms that reduce the burden on the worker will probably prove erucial to any effnrt to inspire bigher productivity or to encourage the transfer of workers *from government* service to the private sector. Indexation of weges and particularly of financial assets, along with extensive subsidies on fuel and food, are throwbacks to the socialist dream thet Israeli society can no longer afford.

The present Government is pinning its hopes for the future on high tecbnology exports. But to approach the preeent goal of doubling bigh tech exports by the beginning of the 1990s, Israel must increase investment in industry by at least $1bn eecb year.

The prospects for rontinued intensive government investment are not, in the face of impending budget cuts, terribly brigbt. Investments by the Isreeli business community beve been on a downward track over the past decade, largely because the private sector bad to compete with the sale of government bonds, which are indexed and hence guaranteed against depreciation.

Thus, tha main challenge facing the Israeli leadership is not only budgetary restraint but, perbaps more important, structural changes in the system that will expand the capacity of the economy, create incentives for economic growth and mesh defence and economic requirements.

"They must review the whole structure of their economic and political framework," acknowledged a senior U.S. Government official. "There is a lot of soul searching."

The author is Director of the Near-East Program of the Center for Strategic and International Studies at Georgetown University, Washington.

Letters to the Editor

Dual resident companies

From Mr D. Boyle

Sir,—Correspondents have questioned the balance nf advantage in the UK (compared with the U.S.) in seeking to limit the advantages derived from dual residence. It is worth remembering that under the 1945 UK-U.S. treaty, dual residence was denied to a company incorporated in the U.S. That was changed in the 1975 treaty, presumably to encourage U.S. investment in the UK.

If the balance nf advantage between the UK and U.S. were the reason for a change in the rules as to loss relief for dual residents, the Revenue could, on existing rules as to the determination of a company's residence, readily exclude many U.S.-owned companies—particularly U.S. oil companies—from UK residence. The consultative document does, however, state clearly (in paragraph 4) that the target is the finance company with no profits, and no economic activity, receiving funds to pay the interest in a form which does not give rise to taxable profits in either jurisdiction. The document describes this as "artificial tax avoidance."

It is in considering remedies that the Revenue does, perhaps, set itself on the wrong path. It rejects any denial or restriction of interest relief merely because the "taxpayer" is dual resident, but does not consider the extent (if any) to which tho interest deduction could be disallowed under existing statutory provisions. Instoad the document proposes to disallow group relief for losses incurred by the dual resident company so as to remova the tax advantage from eetting up such a rompany financed by borrowing but to allow it to companies which are "genuinely trading." Presumably it chooses this solution because in the first case there would be a double deduction but no subsequent tax charge, *while in the second case* the doubla deduction would be expected to be followed in due bourse by a double charge.

May we hope that the Inland Revenue will pnblish a summary of comments received on its proposals, and perhaps more *importantly state whether steps* of e similar nature are to be taken by the IRS since if they were, there would be a risk of double denial of deduction.

D. A. V. Boyle.
9, Alleyn Road, SE21.

Regional policy

From Paddy Ashdown, MP
Liberal Spokesman on Trade and Industry

Sir,—In your excellent feature (January 25) about regional aid, you devote belf a paga to describing "What Labour would do" on this issue. It is a pity that you failed to give your readers the opportunity of discovering what The Alliance would do, especially since it was Liberal and SDP Mps who forced a debate on the details of the new regional aid programme.

The Alliance also tabled a comprebensiva motion emphasising "that a properly structured regional policy is essential to the regeneration of Britain's industrial base," deploring the £300m reduetion in Government support for regional industrial incentives, and condemning "the inflexible use of travel-to-work ereas as the units for determining development area boundaries, which bas led to the exclusion from UK end EEC regional aid of some of the communities with the highest levels of unemployment and lowest standerds of living." The motion called for the reversal of the Government's policy of denying to the regions and the local authorities the power to belp themselves.

PADDY ASHDOWN,
House of Commons, SW1

The quest for English

From Sir Michael Wilford

Sir,—I was astonisbed to see in your Men and Matters column (January 24) that Observer believes that the Japanese want to speak the "American subdialect" of English. Nothing could be further from the truth. Some, of course, do so, but the quest for English Englisb is paramount, and the results surprisingly good.

(Sir) Michael Wilford,
Lloyds Bank International,
40-66, Queen Victoria Street, EC4.

Inevitable occurrences in unmanaged currency markets

From Mr H. Flight

Sir,—Professor Pearce (January 16) seems to be arguing that because 85 per cent of foreign exchange transactions occur at an inter-bank level, the reason for capital flows into dollars *is only explainable* in terms of banks within the Euro-banking system, financing their "doubtful" dollar loan portfolios by taking deposits in other currencies and converting the funds into dollars. "A more rational occasion for surprise might be the fact that banks are able to re?finance doubtful debt in any currency."

Despite tha Third World debt problem of international banks, the suggestion that the banking system is compounding its problems by mis-matching the currency denomination of its loan book and its funding veveals both e lack of knowledge of the central bank monitoring of bank balance sheets and of the basis on which such banks operate. While some mis-matching of maturities between loans and deposits is inevitable—ultimately the banking system *acts as a conduit to deploy both* shert as well as longer term funds—the cardinal principle remeins entrenched of not ultimately mis-matching the currency of loan and deposit finance. The very volatility of exchange rates has underlined this point. Where any currency mis-matching may be involved, this will always be covered by an appropriate forward exchange deal.

As Professor Pearce points out, it is difficult to identify the source of on-going capital flows into dollars of the order of $100bn per annum now required to finance the U.S. current eccount deficit. Even if the U.S. statistics continua to exaggerete the size of the current account deficit, the *overall figures* still show massive net flows into dollar assets.

What Professor Pearce does not seem to appreciate is that within tha 85 per cent of foreign exchanga transactions recorded as inter-bank, are most of the capital flows of funds *beneficially owned by in*dividuals, rompanies and countries. There must indeed be within sueb transactions as Professor Pearce indicates, a signficant net sale of other currencies into dollars. The important point, however, which Professor Pearce's analysis throws up, is surely the fact that so much of the flow of capital into dollars has been into very short term dollar *assets—eg dollar deposits. This* in turn bighlights both the vulnerability of the "strong dollar" to changes in international sentiment and in turn to the economic vulnerability of a system of uncontrolled free floating exchange rates.

Under free floating, currencies like any other assets inevitably go through "bull" and "bear" market cycles. Since 1973 there bave been major bear and bull markets in the Swise franc, the deutsebemark, sterling, gold and the dollar. The excesses of exchange rate movements in relation to pur*chasing power parity or trade* equilibrium have tended to worsen, with the threats of major economie disruption *caused* thereby, *increasing*.

The Third World debt problem has been substantially the result of the increase in the real value of dollar debts against the value of the relevant country's exports. Certain sectors of the U.S. economy are now experiencing major *problems* as a result of the dollar's over-valuation. Agriculture is the most obvious where part of this problem bas already caused the Midland Bank severe difficulties via its Crocker subsidiary'a losses. Investment decisions in Europe are being delayed for foreign exchange reasons—what may be profitable to export today may be loss making in e year's time.

Governments and economists are e*pparently surprised that* currencies under free floating bebave like any other asset with bear and bull market cycles "driven by bedgers, speculators, investment fashions, interest rate differentials, chartists and tax differences." Sueb patterns *have occurred in stock and com*modity markets throughout history and it ie inevitable that they will occur in unmanaged currency markets.

There is no great mystery to the dollar bull market needing explanation by alleged "crazy" currency mis-matching within the banking system. Banks manage money for their clients andw banks deal for their clients—such transactions *go over* the *inter-bank market*.

It is to be boped thet tha beginning of some real agreement has been reached by the Finance Ministers of the *frea* world for an effective policy of joint central bank intervention towards sensible trade equilibrium exchange rates. In the long term such intervention is likely to be profitable as it will involve selling assets (currencies) wben they are *fundamentally* over-valued and buying them wben they are fundamentally under-valued. Obviously no one central bank can be effective but there is no logie for erguing that concerted ection by all the ceotral banks should not be effective.

Allowing the trade disequilibrium among the major currencies to worsen is only likely to make the economie adjustments more painful for *all concerned* when the market finally moves in the other direction.

Howard Flight
Guinness Mahon and Co,
32 St Mary at Hill, EC3

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FINANCIAL TIMES

Wednesday January 30 1985

Ford plans to cut costs in European operations

By Kenneth Gooding, Motor Industry Correspondent, in London

FORD INTENDS to rationalise its European operations, shed uneconomic capacity, cut employment and bring in more components and cars from low-cost countries as part of an "action plan" to reduce costs and become more competitive.

The company emphasises, however, that the plan will succeed only if European governments also take decisive action to improve the general environment for the motor industry.

In an "Action Plan" document, the company says: "If European governments ignore the current plight of the European automotive industry or fail to achieve the improvements necessary, Ford – and presumably others – will have to consider more drastic action that will tear at the fabric of Europe's manufacturing base."

This makes it very clear that Ford, in particular, would like much more help from governments to deal with "predatory Japanese competition (which) is the biggest single threat to the long-term survival of the European automotive sector."

Ford calls on European Community governments to develop effective protection from Japanese car imports and to establish rules covering Japanese inward investment.

"At a time when the Japanese are looking to export capital and gain entry into restricted markets, such rules are essential to avoid token assembly operations with low European and high Japanese content which will simply accentuate Europe's existing excess capacity problems."

The document was handed to the press yesterday by members of an inquiry team set up by the Greater London Council to look into Ford's operations.

The document was drawn up to brief senior personnel within the company but was not distributed to the British press because, the spokesman added, "we guessed it would produce an hysterical reaction about plant closures."

The document goes over much of the ground covered in recent months by Mr Bob Lutz, chairman of Ford of Europe, in public presentation. He has pointed to the excess capacity in European car manufacturing, severe competition, the huge losses incurred by the high-volume manufacturers at a time when they face major investment programmes and the extent to which government interference has added to the industry's difficulties.

The "Action Plan" is aimed mainly at reducing costs but also involves efforts by the company to accelerate quality improvements, to maintain the momentum of product introductions and to use new technology.

Dealing with the fundamental issue of costs, however, the documents says: "Cost reductions will continue to be sought through manufacturing efficiencies and rationalisation opportunities; shedding uneconomic capacity; headcount reductions; re-sourcing external purchases; and reducing the investment cost of bringing the product to market.

"Another method of reducing fixed costs is to share them, and Ford has a number of joint venture programmes under consideration. Also, in certain European markets, Ford companies are looking to lower cost offshore sources as a way to compete more effectively. The Ford sales companies in Scandinavia have each begun a programme involving Brazilian-sourced Escorts. These programmes are likely to be adopted by additional European sales companies."

The GLC team identified press shop and group tooling facilities at Dagenham in the UK, the Cologne engine plant in West Germany and the Genk assembly plant in Belgium as being vulnerable.

W. German car makers' plea on environmental rules, Page 2

Paris plans further cuts in income tax next year

BY DAVID HOUSEGO IN PARIS

THE FRENCH Government said yesterday that it would cut income tax by at least 3 per cent in 1986, emphasising its intention to pursue its policy of reducing taxes.

M Pierre Bérégovoy, the Finance Minister, said that the 3 per cent surtax on incomes in the higher tax bracket would be removed. The planned tax changes would benefit all income tax payers, he added.

Officials said that this meant a minimum 3 per cent cut in personal income tax, which with the surtax reduction would cost the Treasury FFr 6bn to FFr 7bn ($620m–$725m).

The decision implies a further widening of the budget deficit next year although officials contest this interpretation. The exact size of the tax cut has still to be decided, however, as the Government is only at the preliminary stage of its 1986 budget calculations.

The tax cut next year would come on top of a 5 per cent cut in personal taxation this year as part of the Government's pledge to reduce tax and social security contributions as a proportion of gross national product from 44.7 per cent to 43.7 per cent. The effective cut in taxation is likely, however, to be smaller than this.

The Government last year managed to hold the budget deficit to about 3.3 per cent of GNP – or below the level that had been feared in mid-year but above the 3 per cent target officially set by President François Mitterrand. This year the Government has set a goal of reducing the deficit to 3 per cent of GNP despite the tax cuts.

The Organisation for Economic Co-operation and Development (OECD) does not believe this year's goal is attainable. Its forecasts – which take into account social security and local authority financial balances as well – show the public sector deficit rising from 3.5 per cent last year to 3.9 per cent in 1985. Further tax cuts in 1986 would push the deficit even higher.

French officials say, however, that President Mitterrand could set a goal next year of reducing the budget deficit next year to 2.8 per cent of GNP. The exact size of the tax cut would thus depend on decisions yet to be taken over the size of next year's budget deficit.

Hanson Trust fails in £170m bid to take over Powell Duffryn

BY MARTIN DICKSON IN LONDON

HANSON TRUST, one of the most successful British exponents of the art of the takeover, yesterday failed in its £170m ($189m) bid for Powell Duffryn, the UK distribution and storage group. It is the first time that Hanson has lost a takeover battle since 1981, when its bid for G. H. Downing, a bricks and building materials company, was topped by Steetley.

When Hanson's all-paper offer closed yesterday afternoon, it had been accepted by 32.82 per cent of ordinary shareholders. That, together with the 3.69 per cent held by Hanson before the bid, gave it an interest in only 36.51 per cent of the equity. Acceptances were also received from 65.42 per cent of preference shareholders.

Analysts last night cited three main reasons for Powell Duffryn's victory:

● Hanson's refusal to raise its original offer, which it insisted valued the company fully.

● A spirited and well-timed defence by Powell Duffryn, including a revised dividend forecast last week that helped to retain the loyalty of institutional shareholders concerned about their income stream.

● Movements in the relative share prices of the two companies, which changed significantly during the course of the battle. When the bid was announced on December 14, Hanson's share price valued the offer at 385p for each Powell Duffryn ordinary, against a pre-bid price of 340p.

Over the subsequent weeks the share prices of both companies rose strongly, though Hanson's gained more, at one point giving its offer a premium of some 20p over the Powell Duffryn price. The sharp fall in London share prices generally over the past few days narrowed the gap to less than 10p.

Powell Duffryn's share price fell sharply yesterday after the bid lapsed, reaching 385p before rallying to close at 395p, down 28p on the day. Hanson closed at 216p, down 1p on the day.

Hanson, which placed its 3.69 per cent Powell Duffryn shareholding with institutional investors at 385p yesterday afternoon, said last night that it had had a very firm opinion of the value of the business and had not been prepared to raise its bid or to buy shares in the market above that level. Hanson pointed out that since the bid had lapsed Powell Duffryn shares had fallen back to near its original valuation.

Plan unveiled to give British investors more protection

BY JOHN MOORE AND CLIVE WOLMAN IN LONDON

UNPRECEDENTED statutory powers for the supervision of Britain's financial services community will be given to two new regulatory bodies run by individuals from financial service groups. The details were unveiled yesterday by Mr Norman Tebbit, Secretary of State for Trade and Industry, whose department has published a policy document on plans for providing more protection for investors.

Financial organisations, ranging from merchant banks and large stockbroking concerns to small firms of investment advisers, are to be supervised in a formal regulatory framework.

Mr Tebbit told parliament yesterday that the proposals are designed to assist in the enforcement of regulation, deter fraud and malpractice, improve disclosure and lay down the principles on which business should be conducted.

He said maintenance of high standards of business conduct could be discharged "much more effectively by those closest to the market – practitioners and their customers – rather than by government. Malpractices can be identified and dealt with more quickly by these people than by government regulators."

Mr Tebbit said he intended to "build upon what is best in self-regulation." He intends to propose legislation which will give the Secretary of State powers to grant authorisation to investment businesses. The powers will enable him to delegate the regulatory responsibility, including the power of authorisation, to one or more bodies composed both of those who provide and those who use financial services.

"Before doing so I shall be required to be satisfied on the composition, constitution and proposed rules of these bodies and I will have the power to withdraw delegated powers in the event that such a body fails to continue to meet the criteria," he said.

In the new regulatory framework two bodies would be created: a Securities and Investments Board, covering the regulation of securities and investments, and a Marketing of Investments Board, covering the regulation of marketing of pre-packaged investments such as life insurance and unit trusts. If the financial services industry and its customers eventually prefer a single body, the Government would consider this.

Editorial comment, Page 10;
See Lex; Details, Page 26

Employers say UK exports gain from fall in £

By Max Wilkinson in London

PROSPECTS for Britain's manufacturing companies were improving strongly before the recent sharp rise in interest rates to 14 per cent, the Confederation of British Industry said yesterday.

In its latest quarterly survey published yesterday, the employers' group showed that the decline of sterling had helped to boost export prospects, while investment continued to increase. Export prospects are now said to be the best for seven years.

Mr David Wigglesworth, chairman of the CBI's economic situation committee, said that, although the steep rise in interest rates to 14 per cent was unwelcome, he believed the underlying trends in the economy remained strong.

He warned, however, that a prolonged period of high interest rates could jeopardise prospects for growth.

The survey of 1,560 companies showed improved optimism, increased output and rising exports. It was conducted in the first half of the month when sterling was under sustained pressure. Mr Wigglesworth said interest rates were already starting to rise and many companies were expecting further increases.

The CBI's cautious optimism now is based on the view that interest rates will not remain at present levels for long. Mr John Caff, the confederation's chief economist, said he saw the rise to 14 per cent on Monday as a short-term measure to restore financial confidence. The CBI believed a rise was necessary to stabilise the markets.

On the basis of its survey, the CBI is forecasting that manufacturing output will have risen by 3½ per cent in the year to April, with investment in the first three months of the year up by 10 per cent compared with the same period in 1984.

Inflationary pressures are expected to remain moderate during the next four months, although manufacturers' selling prices may rise at a somewhat faster rate.

The survey showed, however, that increased efficiency rather than expanded capacity continues to be the most important motive for industrial investment.

Consequently, the number of people employed by manufacturing industry is expected to fall by 0.55 per cent, which is equivalent to about 30,000 jobs in the six months to April this year.

The survey showed that business confidence was improving again after declines in the previous two quarterly surveys. The survey said this suggested that confidence was stabilising, although Mr Wigglesworth conceded that the rise in interest rates might have changed this picture.

He believed, however, that investment plans would not be altered, in the short-term at least, because companies were used to looking five or even 10 years ahead when taking investment decisions.

THE LEX COLUMN

Bridging the great divide

The UK Government's White Paper on investor protection is a carefully framed and realistic document which makes greater concessions to the principle of statutory regulation than even Professor Jim Gower had dared to suggest a year ago. It is a measure of how far City of London thinking has travelled in that time that a document which would once have been seen as plain heresy was yesterday greeted with polite, if not enthusiastic, applause all round.

From the City's point of view, of course, it could have been a lot worse. Self-regulation lives on, albeit shackled by a statutory framework, while no one could quibble with the Government's emphasis on efficiency, flexibility and competitiveness – not publicly at least. Yet the paper also proposes several radical changes in the way the City governs its affairs. It rightly questions the solidity of Chinese Walls and lays down a fairly stringent set of rules to prevent abuses by authorised investment businesses. It insists on a high level of disclosure and recommends civil and criminal sanctions tough enough to deter all but the most determined villains.

The paper's main weakness is its refusal to discard the idea of twin regulatory boards. The Government will probably opt for a *single* authority in the end, but it is not helpful to leave the matter unresolved during the period of staff recruitment. The document is also rather vague on the matter of packaged investments and what constitutes a "professional investor." Many an established amateur may find himself in the players' pavilion before long.

But there are plenty of compensations. The role of the Bank of England has sensibly been confined to head-hunting, and the overall system of checks and balances has been cleverly constructed. Offering the Takeover Panel the option of statutory backing is no bad thing, while a few anomalies in the Companies Act are to be rectified.

For the structure to succeed, it clearly needs to be properly financed and, most important, led decisively. Confidence in the authority of the new board(s) will be crucial.

Markets

Whatever optimism the equity market felt on Friday evaporated over the weekend and quietly resurfaced in the gilt market yesterday. And well it might – equities had seemed oblivious to the possibility of another rise in base rates, while gilts had been sickly well in advance. Now gilt investors have at least two reasons for cheer. The Government has shown it is still serious about inflation; and with any luck, the higher rates will have enough impact on bank lending to reduce the need for overfunding.

Gilts are starting to attract foreign buying interest, and the downward slope of the yield curve reflects an expectation that Monday's rise in base rates will be reversed within the next few months.

In the market's eyes, Mr Lawson may have drawn two morals from the base rate moves of the past year, each of which should in theory keep prices stable. The first is that sharp and sudden increases neither win friends nor help sterling; the second is that equally sudden falls renew doubts about the Government's commitment to its currency.

In relation to the yield on equities, gilts now look distinctly cheap and have displayed nothing like the nervousness which has characterised equity trading over the past week. But many a fund manager, who has switched from equities to gilts on yield gap arguments over the past year, has lived to regret it.

Rank

It would take a mealy-mouthed critic to complain about Rank's £105m profit for the year to October, or indeed cavil at the way it was achieved. It was always obvious enough that much of the improvement would come from the cutting-out of loss-makers (£8m here), from a fall in the interest charge (worth nearly £6m) and from disposals of disused cinemas (taken above the line £7m against £3.5m). A substantial upturn at Rank Xerox – for the first time in five years – was also pretty well discounted. The measure of Rank's achievement is that trading profits in the businesses it actually manages were also over 25 per cent higher, at almost £40m.

Rank's management is thus in a position to claim that its efforts have gone beyond mere deck-clearing. If its travel business had not caught a cold, the results might really have been something to crow about. Unlikely as it may seem, Rank has even been able to find growth in the bingo clubs, selling more food and adding game machines. Inventive though Rank may prove at this sort of in-filling, it will not fully employ the group's cash. Nor can it provide the strategic clues that the City will probably demand before pushing the shares much beyond their current 318p – which at last restores Rank to the dignity of an average market rating.

Guinness Peat

Since the acquisition and liquidation of Moorside Trust at the end of 1983, Mr Alastair Morton has shown himself deft at enlarging the capital base of Guinness Peat without recourse to shareholders. This is, incidentally, convenient since the largest of these is Lord Kissin, who was no great friend of Guinness Peat's new management; yesterday's issue of shares to UKPI in return for its holding in Britannia Arrow will reduce the Kissin position from 9.8 per cent of the equity to less than 8 per cent. In return, Guinness Peat has gained a large and apparently sympathetic shareholder in the form of UKPI which would make the group less vulnerable to takeover.

The advantage to UKPI of switching horses at this stage may be as much a reduction in its exposure to Britannia Arrow's new acquisition as what Guinness Peat has to offer in management on the energy and property side. Guinness Peat itself must know Britannia Arrow pretty well, having considered selling its merchant bank in 1982. Yesterday's deal looks neither very risky nor expensive and does give Guinness Peat an opening to retail financial services and fund management, but is unlikely to provide much co-operative benefit.

Thatcher faces censure vote over economy

Continued from Page 1

Mrs Thatcher defended recent actions on the ground that they were necessary to maintain financial stability and to keep inflation lower for a longer period than had been achieved by previous governments.

She said that government action was designed "to impose financial discipline on all sections of the economy."

The Government has an overwhelming majority in the House of Commons with 141 more MPs than all opposition parties combined.

The pound closed in London at $1.1145, up 35 points from Monday. Gains against other European currencies also helped to push up the sterling index from 70.5 to 70.8.

Opec accord expected

Continued from Page 1

branch and announce a supplier price of $28.65 for January.

A senior Opec official warned yesterday that if the UK did not take the opportunity offered "then everything will be lost and the downward spiral will continue."

An oil trader in Geneva said yesterday that any Opec agreement along the lines under discussion would be received by the market as a good attempt to restructure its pricing system in tune with current world refinery techniques, which have increasingly favoured the use of heavy crudes.

Three Opec countries were holding out against the proposals when ministers opened their evening sessions.

Iran was insisting on no reduction in the price of Arabian Light equivalent to its own crude stream. Iran's own pricing policy is already highly improvisatory, however, resting on granting large war risk subsidies, particularly to its big Japanese buyers. Moreover, Iran had been given dispensation to price its oil officially at $28, and only recently increased its official price to $29.11 as a political gesture in the run-up to this meeting.

Algeria was holding out against a proposal to cut its Saharan Blend from $30.50 to $26.90 because that official price is a key component in the pricing of its main hydrocarbon export, gas.

The Libyans were objecting because the proposals involve a new official price for their crude oil of $29.15 and they were apparently not prepared to reduce their $30.50 price to less than $29.71.

Opec ministers are determined to reach an agreement at this meeting

Downturn at Chevron and Texaco

By William Hall in New York

TEXACO and Chevron, the U.S. oil groups which together spent more than $23bn last year acquiring Getty Oil and Gulf, yesterday reported lower 1984 profits, despite having the benefit of their acquisitions for most of the year.

Texaco, which warned in November that it was taking a $765m writedown in its fourth quarter, reported a 75 per cent drop in its full-year net income to $306m, or $1.03 per share.

Chevron, which paid $13.2bn for Gulf last June, announced a 4 per cent drop in its net income to $1.5bn or $4.48.

Mr George Keller, Chevron's chairman, said that Gulf contributed $40m to Chevron's earnings during the seven months it was part of the enlarged group.

Texaco estimated that its earnings fell by only 13 per cent to $1.1bn if the fourth-quarter writedown is excluded.

Mr John McKinley, Texaco's chairman, says that "although worldwide petroleum demand strengthened somewhat during 1984, the benefit from this increased demand was offset in the market by the continued surplus of crude oil and petroleum products."

Mr Keller blamed Chevron's lower earnings on "weakness in refined product prices and depressed downstream margins through most of the year."

He noted that, except for a brief period, petrol prices in the U.S. remained depressed for much of the year.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	S	13	55	Dubrovnik	S	11	52	Malaga	S	18	64	Salzburg	F	4	39
Akrotiri	F	18	64	Faro	S	17	63	Malta	F	15	59	Seoul	S	-10	14
Algiers	F	16	61	Florence	S	9	48	Manila	S	32	90	Singapore	R	24	75
Amsterdam	C	4	39	Frankfurt	C	3	37	Miami	C	16	61	Stockholm	Sn	-4	25
Athens	S	11	52	Funchal	S	17	63	Milan	S	6	43	Strasbourg	S	7	45
Bahrain	S	22	72	Geneva	C	2	36	Moscow	S	-14	7	Sydney	S	26	79
Bangkok	S	33	91	Gibraltar	S	16	61	Munich	S	7	45	Taipei	C	15	59
Barcelona	F	13	55	Guernsey	C	9	48	Nairobi	F	27	81	Tangier	F	15	59
Beirut	S	19	66	Helsinki	Sn	-1	30	Naples	S	17	63	Tehran	–	—	—
Belgrade	C	1	34	H. Kong	C	19	66	New Delhi	S	19	66	Tel Aviv	C	18	64
Berlin	S	1	34	Innsbruck	S	3	37	New York	S	-3	27	Tenerife	S	21	70
Biarritz	C	13	55	Inverness	F	7	45	Nice	S	13	55	Tokyo	C	3	37
Blackpool	R	7	45	Istanbul	R	5	41	Oporto	C	14	57	Toronto	Sn	-8	18
Bordeaux	S	12	54	Jersey	C	9	48	Oslo	C	-1	30	Tunis	R	10	50
Brussels	S	6	43	Jo'burg	F	23	73	Paris	D	8	46	Valencia	S	17	63
Budapest	S	3	37	Las Palmas	S	22	72	Prague	S	-1	30	Venice	S	6	43
B. Aires	C	26	79	Lima	C	24	75	Reykjavik	C	-2	28	Vienna	C	1	34
Cairo	C	22	72	Lisbon	F	15	59	Rio de J'o	C	27	81	Warsaw	S	-3	27
Cape Town	F	23	73	Locarno	S	3	37	Rome	S	14	57	Zurich	F	1	34
Caracas	C	27	81	London	C	11	52								
Casablanca	S	16	61	Los Angeles	C	12	54								
Copenhagen	C	0	32	Luxembourg	Fg	2	36								
Corfu	F	14	57	Madrid	C	5	41								
Dublin	R	10	50	Majorca	S	14	57								

Readings at mid-day yesterday.

C–Cloudy D–Drizzle F–Fair Fg–Fog R–Rain S–Sun Sl–Sleet Sn–Snow T–Thunder

EEC farm spending up

Continued from Page 1

The increase in the cost of farm spending is largely attributed to attempts to reduce dairy and beef stock. The Commission has been stepping up export sales at reduced prices to make room in stores now nearing capacity.

Farm expenditure would be higher still, however, were it not for some savings on cereals and – consequently – pigmeat and poultry, where price relates to cereal feed. The high value of the dollar has reduced the gap between Community and world cereals market prices and hence reduced the level of EEC export subsidies.

The most widely acceptable source of extra finance would be to bring forward increased contributions from the member states, due to rise from the present 1 per cent VAT ceiling to 1.4 per cent on January 1 next year.

That is blocked by both West Germany and the Netherlands, which insist that increased contributions must be timed to coincide with the enlargement of the Community to include Spain and Portugal in 1986.

Sir Geoffrey simply insisted yesterday that all EEC members were agreed Britain should receive its cash this year and suggested that he was prepared to consider any arrangement which guaranteed that.

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SECTION II – INTERNATIONAL COMPANIES

FINANCIAL TIMES

Wednesday January 30 1985

PRICE CUTS EXPECTED IN WAKE OF CHRISTMAS SLUMP

Commodore profits plunge 94%

BY LOUISE KEHOE IN SAN FRANCISCO

EARNINGS of Commodore International, the largest U.S. home computer maker, plummeted by 94 per cent in the second quarter to just $3.2m from $50.1m in the same period a year ago. Sales dropped 21 per cent to $338.7m from $431.4m.

The result reflects the impact of the slowdown in U.S. homa computer sales.

Commodore had been expecting a Christmas sales boom to reverse the downward trend in U.S. home computer sales and, in anticipation, the company built up its inventory by 10 per cent.

U.S. consumers, however, proved disenchanted with home computers; and retail chains throughout the country reported lower sales than expected. To reduce stocks, Commodore has laid off about 540 workers.

Commodore is expected to reduce its prices sharply. Earnings for the second quarter were significantly reduced by a pre-tax charge of $30m "related to certain product pricing action to be taken by Commodore."

Industry analysts expect Commodore to slasb the U.S. price of its Commodore 64 home computer to compete with a oew machine promised by Atari, now owned by Mr Jack Tramiel, former Commodore president.

Commodore may also reduce its European prices, which have been inflated by the dollar's strength.

Analysts doubt, however, that such moves will generate significant sales volume. They believe that U.S. consumers have turned away from cheap home computers towards higher-priced and higher-performance machines, such as the IBM PC Jr and the Apple II.

Apple Computer bas also reported excess stocks this month. The company has made few shipments of Apple II computers since Christmas, Mr John Sculley, Apple president, said last week.

U.S. computer dealers are holding considerable stocks from last year, be explained.

U.S. Steel back in black at year-end

By Our New York Staff

U.S. Steel, the country's largest steel producer, staged a recovery in 1984, despite a sharp fall in profits in the fourth quarter.

The group ended last year with net profits of $493m or $3.52 a share, against a $1.1bn or $12.07 a share loss in 1983.

Mr David Roderick, chairman, said the results indicated the success of actions over the past three years to diversify, restructure and streamline operations. Tha results were especially statisfying in the light of the soft market for steel and lower oil prices.

Ha added that another profitable year was expected in 1985, with continued emphasis on debt reduction and operating efficiency.

U.S. steel's shares, however, were down $¼ at $27¾ in early trading yesterday, reflecting the fourth-quarter profits decline.

Net profits in the final three months were $29m, equivalent to a loss after preferred dividends of 1 cent a share.

This compares with a loss of $983m or $9.7 in the 1983 period which includes a $1.15bn charge for shutdowns.

Fourth-quarter sales were unchanged at $4.7bn, but rose for the year from $17.5bn to $19.1bn.

The latest final-quarter profits compare with the $153m or $1.15 a share of the third quarter, when profits were bolstered by asset sales and pension cost reductions.

At the nine-month stage gains on assets sales were estimated at $234m before tax, which, with the pension cost reductions, helped the company post a $493m profit for the year.

Deutsche BP to close two loss-making plants

BY RUPERT CORNWELL IN BONN

DEUTSCHE BP, the German subsidiary of the British oil group, is closing two loss-making refineries in north Germany. The move, announced yesterday by Deutsche BP's chief executive Herr Hellmuth Buddenberg, means that 1,000 of the company's workforce of 7,000 are likely to lose their jobs.

The two refineries, at Hünxe and Hamburg, are the latest casualties of the intensifying pressures on tha West German oil industry. It has been hit by overcapacity, fierce competition from imported oil products and shrinking domestic demand.

Basic refining operations stopped at both plants in 1982 and 1983. They were then converted to handling atmospheric residues, including cracking, but even this proved uneconomic.

The closures will take place this year. The Brifish parent is expected to put up DM 500m ($157.7m) to help meet the social costs of the shutdowns and launch new investments.

Yesterday's decisions will remove about 4m tonnes of refining capacity from the West German market. Deutsche BP's effective remaining capacity in West Germany will be 2.5m tonnes equivalent, represented by its 50 per cent stake in a refinery at Ingolstadt in Bavaria.

Herr Buddenberg said that BP last year lost about DM 170m on its West German refineries. Its German subsidiary broke even overall because of profits in other areas, such as petrochemicals and plastics.

Deutsche BP, however, is not alone with its problems. Oil companies lost DM 15.4bn on refining and distribution in West Germany between 1980 and 1983, while refining capacity bas been reduced from 160m tonnes a year in 1979 to around 100m tonnes, and it could drop to barely 90m tonnes by the end of 1885. Sbell, Esso and Mobil bave also either announced or considered similar cutbacks in recent months.

Herrhausen succeeds Guth at Deutsche

By John Davies in Frankfurt

DEUTSCHE BANK, West Germany's largest bank, yesterday named Dr Alfred Herrbausen to succeed Dr Wilfried Guth as joint spokesman alongside Dr Wilhelm Christians.

Dr Guth, 65, is expected to move to Deutsche's supervisory board after the shareholders' meeting in May. He and Dr Christians have been joint spokesmen – in effect, joint chief executives – since 1976.

The decision elevates Dr Herrhausen to one of the most powerful positions in the West German business world. His election by fellow members of the bank's management board ends long speculation about possible top managerial moves arising from Dr Guth's retirement.

Dr Herrhausen, 55, has held senior positions at Deutsche Bank for more than 15 years, after moving from the board of an electricity supply concern.

He is responsible for the bank's economics department and for North American activities. He is also on the supervisory board of several leading West German companies, including Daimler-Benz, the motor vehicle concern, Klöckner-Werke, the steel group, and Continental Gummi-Werke, the tyre company.

A man with commanding stature, he has considerable influence not only in business but also in political circles.

Restructuring costs leave GTE final-quarter earnings lower

BY ANDREW BAXTER IN NEW YORK

GTE, owner of the largest non-Bell telephone system in the U.S., yesterday reported a 10 per cent fall in fourth-quarter net profit following a $35m after-tax charge for restructuring certain operations, primarily in Latin America.

The charge, which bad been expected, left net earnings at $243m or $1.15 a share, compared with $269m or $1.39 in the 1983 period. However, the 1983 figures take in a $20m credit, and stripping out both special factors would produce a 8 per cent rise in income in the latest quarter, broadly in line with the recent trend.

For the year, GTE's net earnings rose 18 per cent to a record $1.1bn or $5.55 a share against $956m or $5. Again, however, special factors have distorted the figures and part of the rise reflects accounting changes. Excluding this and the fourth-quarter factors, consolidated earnings per share from continuing operations were 7 per cent higher than in 1983.

Mr Theodore Bropby, chairman and chief executive, said the continued strong performance of telephone operations in 1984 and the sharp improvement in the electrical products group was partially offset by disappointing results in communications products and the Sprint long-distance communications service.

Telephone operating income rose 14 per cent to $2.8bn, while revenue was up 8 per cent to $9.1bn. The improved results mainly reflect cost reductions and productivity improvements.

Communications services, which include Sprint, Telenet, packet switching services and satellite operations, suffered a fall in operating income from $82m to $67m, whila revenue more than doubled to $1.2bn, reflecting acquisitions. The profits fall reflects the impact in the second half of 1984 of a 70 per cent rise in charges to Sprint

Pacific Telesis plans debt issue

BY PAUL TAYLOR IN NEW YORK

PACIFIC Telesis, the western U.S. Bell telephone regional holding company, yesterday reported fourth-quarter net earnings of $201m or $2.01 a share on revenues of $2bn and full-year net earnings of $828.5m or $8.46 a share on revenues of $7.82bn.

The company also became the latest of the regional Bell holding companies – formed out of the Bell system break-up at the start of last year – to announca a refinancing involving the proposed issue of $400m in new debt by its Pacific Bell unit.

Mr Donald Guinn, chairman and chief executive, commenting on the earnings, said, "I believe we have answered all those questions raised in tha months before divestiture about Pacific's financial and technological capabilities to compete outside the Bell umbrella."

Mr Guinn added that stringent cost controls and aggressive marketing, coupled with the California Public Utilities Commission decision to approve $565m in new rates last year, helped boost 1984 earnings.

the proposed financing package unveiled yesterday was approved by the board of Pacific Bell last week. Mr John Hulse, vice-chairman and chief financial officer, noted the plan "will increase the financing flexibility of both Pacific Telesis and our largest subsidiary, Pacific Bell, as well as better position us to respond to volatile capital market conditions in managing our liabilities."

Mr Hulse said that, subject to state regulatory authority approval, Pacific Bell intends to issue its securities within the next few months with maturities up to 40 years.

"We will be watching the domestic and international capital markets for windows of opportunity in order to obtain the most attractive rates," he said.

Akzo lifts dividend 50% as profits soar

BY LAURA RAUN IN AMSTERDAM

AKZO, the Dutch chemicals and fibres group, raised its 1984 final dividend by 50 per cent to Fl 4.50 and confirmed its prediction of a record Fl 750m ($208.3m) profit for 1984.

Earnings per share jumped 47 per cent to Fl 18.02 last year after a 19 per cent increase in shares outstanding. Profits rose 75 per cent from Fl 428m in 1983 while sales expanded 10 per cent to Fl 16.54bn from Fl 15.09bn.

The economic recovery in Europe and North America, aided by the strong dollar, enabled the Arnhem-based company to reap the benefits of intensive cost-cutting and product realignment.

Interest payments fell 18 per cent and Akzo's cash and short-term investments stood at Fl 1bn at the end of 1984, compared with Fl 1.2bn a year earlier.

Mr A. Louden, chairman, said recently that the synthetic fibres divisions, which had suffered heavy losses in the past, would help boost net income to its highest level in Akzo's 15-year bistory.

The company said yesterday that Enka, its main subsidiary in the synthetic fibres division, posted "gratifying gains" in sales and operating income for industrial as well as textile and carpet fibres.

Enka, which bas sharply reduced its capacity in recent years, has sought to move away from clothing and carpet applications and toward industrial fibres.

Akzo did not comment on the prospects for this year, but analysts believe earnings may stabilise because most of the restructuring benefits have already been felt.

The chemical products division, which includes Akzo Salt, should profit from the cold weather throughout Europe and the U.S. Last year chemical products reported a "substantial increase" in sales and income from salt, as well as commodity and special chemicals.

Cost-cutting lifts UAL to $282m

By Our New York Staff

UAL, parent of United Airlines, the largest U.S. carrier, has reported its highest annual profit since 1978, balped by continuing efforts to cut operating and pension costs.

Net profit for 1984 was $282.4m, or $7.46 a share, including a $21.5m extraordinary gain. This compares with $142m, or $3.88 a share, in 1983, when a sigoificant portion of earnings came from the sale of tax benefits.

In the fourth quarter, net earnings were $67m, or $1.78 a share, against $56.1m, or $1.54, in the 1983 period. Reveoues rose marginally from $1.66bn to $1.87bn, taking 1984 revenues to $6.97bn against $6.02bn.

UAL said reductions in pension and employee costs cut consolidated and airlioe operating expenses by more than $96m net.

Pre-tax operating profits rose from $216.3m in 1883 to a record $643.3m. Scheduled passenger traffic improved by 7 per cent, and there was an 8.3 per cent rise in average revenue per passenger mile to 11.57 cents.

UAL's hotel operations suffered a slight fall in 1984 net earnings from $18.8m to $18.4m.

Time income jumps 51% in full year

By William Hall in New York

THE U.S. presidential elections and the 1984 Olympics led to substantially higher magazine circulation and advertising revenues for Time, the publishing and entertainment group, and underpinned a 51 per cent increase in 1984 income from continuing operations to $216.4m.

Its fourth-quarter income from continuing operations rose by 50 per cent to $86.7m. Earnings per share for the full year totalled $3.37 from continuing operations compared with $2.25 per share a year before.

Mr J. Richard Munro, Time's chief executive, says the company's strong performance is due primarily to record revenues and profits for magazines. Revenues rose 17 per cent and operating profits reached record levels.

Dassault aims to sell 30 Falcons a year

By David Marsh in Paris

DASSAULT-BREGUET, the French state-controlled aircraft maker, which has just formally unveiled its Falcon 900 business jet, is aiming to sell about 30 of the aircraft a year over the next decade and to break even on the project in about eight years time.

M. Bruno Vallieres, the group's chairman, said 38 aircraft had already been sold, and the company planned to produce an average of 3.5 a month in coming years.

Dassault-Breguet, in which the French Government has a 46 per cent stake, is best known as the maker of Mirage fighters.

The Falcon 900, however, carries its hopes of continuing expansion on the market for high-performance private jets.

The basic cost of the new jet is $13.5m at 1983 prices. More than half the clients are expected to come from the U.S., and the rest from companies, government organisations and wealthy individuals in Europe, the Middle East, South-East Asia and Africa.

M Vallieres rejected American claims that Dassault was gaining an unfair advantage over U.S. competitors because it had received government aid in developing the Falcon. About 35 per cent of the aircraft's cost, including the engines, represents materials bought in the U.S.

Record year at Warner-Lambert

BY OUR NEW YORK STAFF

WARNER-LAMBERT, the New Jersey-based drugs group, yesterday reported record earnings for 1984 despite a slowdown in profits growth in the fourth quarter, caused partly by tha strength of tha dollar.

Full-year earnings rose 12 per cent from $200m or $2.51 a share to $224m or $2.81. The rise accords with company forecasts and follows similar advances by other drugs groups.

In the fourth quarter, net profits rose 7 per cent from $48.5m or 61 cents to $51.2m or 65 cents. That compares with a 13 per cent year-on-year rise in the third quarter, wben the company began to benefit from changes in tax laws.

Sales in the quarter edged up from $786m to $793.5m, and rose 2 per cent in the year to $3.17bn.

Mr Joseph Williams, president and chief executive officer, attributed the income growth for the quarter and full year to higher U.S. sales, improved gross profit margins and the lower effective tax rate.

In common with other drugs groups, Warner-Lambert bas been affected by the strength of the dollar, and Mr Williams said that tended to mask good unit growth in international markets. Excluding the effects of currency adjustments, fourth-quarter earnings rose 18 per cent from $46m to $54m.

Prescription and over-the-counter pharmaceuticals registered the strongest sales gains in 1984, with ethical drugs sales up 8 per cent in the U.S.

Sales of health-technology products declined slightly, while profit margins came under increasing pressure. The continued weakness in this market reflects cost-cutting measures by the U.S. Government and other agencies.

Imperial Oil profits jump 84 per cent

BY BERNARD SIMON IN TORONTO

IMPERIAL OIL, Canada's largest oil company, reported an 84 per cent jump in profits in 1984. The group, which is 70 per cent owned by Exxon, was boosted by higher bitumen production and capital investment credits.

Net profit in the year to December 31 rose to C$533m (U.S.$400.7m) or C$3.32 a share, from C$290m or C$1.83 a year earlier. Revenues advanced from C$9bn to C$9.7bn.

Profit from natural resources increased from C$272m to C$324m. Imperial said that higher output of bitumen and investment credits from its oilsands project at Cold Lake, Alberta, were partly offset by slightly lower production of conventional cruda oil, lower sales of natural gas and liquids and a decline in earnings from Syncrude, the northern Alberta synthetic crude producer. Production at Syncrode was disrupted by a fire last August.

Mr Donald McIvor, chairman, said that the company's capital and exploration spending will rise to more than C$1bn in 1985, compared with C$678m last year.

More than a quarter of the capital budget is earmarked for expanding the Cold Lake project, which produces bitumen from oilsands. Production at Cold Lake is scheduled to reach 8,000 cubic metres of bitumen a day by early 1986.

Esso Resources, an Imperial subsidiary, also plans to spend about C$1bn over the next 15 years on an enhanced oil recovery project at Judy Creek, Alberta. Ethane and natural gas will be injected into oil pools as solvents to improve oil recoveries.

Moët Hennessy sales advance

By Our Financial Staff

MOËT HENNESSY increased its turnover by 28.2 per cent in 1984 to FFr 6.84bn ($706.6m), and profits were up "very substantially," M Alain Chevalier, the chairman, said yesterday.

He gave no provisional figure for 1884 profits, but said sales of wine and champagne rose by 21.8 per cent and of cognac by 46.6 per cent compared with 1983 on a consolidated basis.

Sales of the U.S. subsidiary, Armstrong Nurseries, were about the same as in 1983. Moët expects to report a 1984 loss at Armstrong of between $5m and $6m.

Group profits in 1983 totalled FFr 402m.

Final-quarter upturn for Merrill

BY ANDREW BAXTER IN NEW YORK

MERRILL LYNCH, the world's largest securities broker, reported sharply lower net earnings for 1984, despite improved profits in the final quarter.

Merrill recorded net earnings from operations of $29.6m or 31 cents a share in the fourth quarter, up from $18.4m or 21 cents in the 1983 period, when non-recurring charges related to the collapse of Baldwin-United, the financial services company, produced a final net loss of $42.1m or 47 cents.

The latest quarter's results are better than tha $35m earned from operations in the third quarter, and illustrate the company's continuing recovery from the ravages of the second quarter, wben the depressed trading on Wall Street resulted in a $33m loss.

For the year, Merrill made net profits of $95.3m or $1.03, against $230.2m or $2.26 in 1983. The latest year includes a $46m net gain from the sale of the company's Manhattan beadquarters, while the previous year's profits include $83m in net charges and reserves because of Baldwin-United.

Final quarter revenues rose from $1.4bn to $1.8bn, taking revenues for the year to $6bn ($5.7bn).

Fourth-quarter revenues were up in most categories, compared with those in the 1983 period, except for a small fall in insurance revenues and a 8 per cent decline in commissions.

For the year reduced stock market activity and lower average share prices contributed to a 20 per cent fall in commission revenues to $1.2bn. Principal transactions revenues fell 17 per cent to $561m and investment banking revenues fell 22 per cent to $582m.

In contrast property revenues rose 18 per cent to $462m, while insurance revenues surged 47 per cent to $171m.

Growth slows at Perstorp

By David Brown in Stockholm

PERSTORP, the Swedisb special chemicals company, reports its rate of earnings increase slowed during the first four months of its 1984-85 business year to 10 per cent.

Shareholders have authorised an issue of up to 2.5m unrestricted shares worth about SKr 250m ($27m) to finance an acquisition, probably in the biotechnology or analytical instruments field, in the UK or North America.

Earnings before extraordinary items and taxes but after financial costs rose to SKr 110m and sales climbed 13 per cent to SKr 1.1bn. Operating costs and depreciation allowances rose at a slightly higher rate and the operating result was ahead by only 5 per cent to SKr 113m.

Net financial costs more than balved to SKr 3m, however.

Perstorp said sales in its compounds division declined in a weak market and following postponement of large orders from Iran.

Year-end downturn for Arco

BY OUR NEW YORK STAFF

ATLANTIC RICHFIELD (Arco), the sixth biggest U.S. oil company, has suffered a 32 per cent drop in fourth-quarter net income to $285m, partly because of lower inventory profits and one-time provisions.

Full-year net income fell 63 per cent to $567m, or $2.21 a share, primarily because of a $785m write-off taken in the third quarter covering losses on the sale of certain metal businesses and other write-offs. The metals activities are now listed as discontinued operations.

Arco's group sales fell marginally in 1984 to $24.8bn, and return on shareholders' equity, before discontinued operations and unusual items, fell from 15.3 per cent to 13.4 per cent.

Mr William Kieschnik, Arco's chief executive, says that record worldwide crude oil and natural gas production and markedly improved chemicals operations were the principal contributors to the company's 1984 performance. However, they were more than offset by increased oil and gas depletion, operating and exploration expenses, higher interest expenses, lower gas prices and lower petroleum product margins.

Vizcaya gains despite high risk provision

By David White in Madrid

BANCO DE VIZCAYA, which ranks number five among Spain's commercial banks, increased its net profit last year by 18 per cent to Pta 10.69bn ($61m), compared with Pta 9.03ho in 1883.

The result came after tha setting-aside of a befty Pta 23.07bo for bad-debt risks. This accounted for almost two thirds of the bank's gross earnings figure of Pta 36.11bn.

Customers' deposits rose to Pta 1,520bn from Pta 933bn, an increase of 14 per cent. The bank is lifting its dividend from Pta 185 to Pta 212 per share.

● Former minority sbarebolders of Banco Atlantico, the principal bank of the Rumasa group, which the Spanish government expropriated in 1983, have finally reached a settlement with the authorities on the level of indemnities to be paid.

A shareholders' association approved the latest government offer of Pta 1,738 ($9.93) per share, including accumulated annual interest of 8 per cent since expropriation. The Government initially offered to compensate minority holders of the bank's nominal Pta 1,000 shares at par, against more than double sought by sharebolders' representatives.

Early last year the bank was resold to a consortium led by Arab Banking Corporation in conjunction with the Spanish state-controlled Banco Exterior, for Pta 5.1bn, oo 75 per cent of the total nominal value of the stock.

Swiss watch group set to break even

By John Wicks in Zurich

ASUAG-SSIH, Switzerland's leading watch-making group, expects to break even in 1984.

In 1983, the group made an opereting loss of SwFr 87m ($32.7m). The board attributes the improvement to the initial success of a restructuring programme, a stronger economy and a favourable exchange rate.

The company says it has agreed to a sale of shares to the Zurich consultant Nicolas G. Hayek and a group of Swiss industrialists, granting them an option over two years to buy up to 51 per cent of the company's shares.

As a first step, a 7 per cent stake will be sold to Mr Hayek and the industrialist Dr Stephan Schmidheiny.

Bank of America sets up technology group

BY OUR NEW YORK STAFF

BANK of America, the second biggest bank in the U.S. plans to spend $5bn over the next five years "retooling" its systems in a bid to become the "most technologically proficient financial institution" in the world.

The bank has set up a group called BankAmerica Systems Engineering(Base) to co-ordinate its approach to managing technology as "a strategic competitive force".

The bank says its commitment of resources to Base, which will employ 5,000 staff worldwide, is one of the biggest changes in the way it does business since it introduced the industry's first electronic book-keeping system in 1858. The bank stressed that the reorganisatioo was far more than just a reshuffling of the organisational boxes and reflected a "fundamental shift" in the way it approached its business and managed technology.

Althougb the bank plans to spend an average $1bn a year on automating its delivery system, it was not clear whether this would involve an increase in current capital spending. Bank officials said they boped that by using their resources more efficiently and reducing overlapping systems developments, it would be possible to complete the five-year project without a substantial increase in current spending.

The new unit will be beaded by an executive vice-president, Mr Max Hopper, aged 50, who will report directly to Bank of America's chief executive, Mr Sam Armacost. Mr Hopper joined the bank just over two years ago from American Airlines, where be is credited with having revolutionised the reservation system through computer technology.

Base will consolidate the bank's various technological systems at home and abroad and will ultimately be used to provide extensive computerised access to financial services and information for the bank's customers around the world.

The bank said that over the next four years it expected its volume of business, as measured by "mips", or millions of instructions per second, to increase by 150 per cent.

"Technology is a primary strategic resource", said Mr Hopper. "We're making official the inextricable link between the business of banking and the business of technology."

General Mills plans divestment programme

BY OUR NEW YORK STAFF

GENERAL MILLS, the Minneapolis-based diversified consumer products group, has put its toy and fashion businesses up for sale as part of a major move to concentrate on consumer foods and restaurants, which have traditionally provided the highest returns and long-term growth.

The company said yesterday that its board bad authorised management to explore the possible sale of the toy and fashion businesses and bad hired Dillon, Read, the New York investment bank, to review formal offers for the divisions in "a relatively sbort period of time."

General Mills antered the toy and fashion business via acquisitions in tha 1960s. In its last financial year its toy business bad operating profits of $72m on sales of $783m, and its fashion business had profits of $48.8m on sales of $587m.

General Mills has five major operating divisions: the two which are being put up for sale account for a quarter of group profits and sales and close to a third of its $2.58bn of assets.

The company plans to invest more than $1.5bn in new fixed assets over the next five years.

Toys and fashion account for a relatively small proportion of corporate new investment yet are requiring a substantial amount of management time, so the company is considering divestment of these businesses.

INTERNATIONAL COMPANIES and FINANCE

N. AMERICAN QUARTERLY RESULTS

AMERICAN ELECTRIC POWER
Utility

Fourth quarter	1984 $	1983 $
Revenue	1.23bn	1.19bn
Net profits	122.33m	152.05m
Net per share	0.65	0.65
Year		
Revenue	4.95bn	4.37bn
Net profits	487.57m	427.96m
Net per share	2.85	2.44

AVCO
Financial services, engineering

Fourth quarter	1984 $	1983 $
Revenue	823.3m	796.3m
Net profits	35.3m	26.1m
Net per share	1.29	0.97
Year		
Revenue	2.92bn	2.81bn
Net profits	125.5m	102.7m
Net per share	4.61	3.82

AVNET
Electronic components

Second quarter	1984-85 $	1983-84 $
Revenue	385.0m	395.8m
Net profits	12.0m	21.3m
Net per share	0.34	0.60
Six months		
Revenue	827.5m	751.2m
Net profits	31.9m	39.9m
Net per share	0.90	1.13

BRITISH COLUMBIA TELEPHONE

Fourth quarter	1984 C$	1983 C$
Revenue	386.3m	344.7m
Net profits	39m	35.2m
Net per share	0.82	0.80
Year		
Revenue	1.32bn	1.30bn
Net profits	102.5m	107.1m
Net per share	2.07	2.36

SQUARE D
Electrical & electronic products

Fourth quarter	1984 $	1983 $
Revenue	322m	301.9m
Net profits	18.2m	17.9m
Net per share	0.64	0.63

VARIAN ASSOCIATES
High technology products

First quarter	1984-85 $	1983-84 $
Revenue	229.2m	196.7m
Net profits	12.5m	11.6m
Net per share	0.57	0.53

French cement group seeks growth in biotechnology

BY DAVID MARSH IN PARIS

LAFARGE COPPEE, the French-based international eemeot group, is picking up momentum in its drive to diversify into food and agricultural-linked biotechnology activities.

Following a series of acquisitions and expansion moves in France and the U.S. over the last few months, biotechnology business, based on food products and seeds, is expected this year to make up around 10 per cent of the group's $2bn turnover.

M Olivier Lecerf, the Lafarge ehairman, decided several years ago that the company needed to diversify, tn counter any effects nf limited expansion or stagnation on its traditional construction-linked markets over the next decade.

The ideas have been put into effect, without great spectacle hut with Lafarge's customary deliberation followed by rapid action. In the world-wide biotechnology market, says M Patrice Le Hodey, head of the group's bio-activities: "We have the luck to be small. This makes us prudent. We are not in all the amino acids—but we're in the big ones. Our efforts are highly targeted."

With all its prudence, however, Lafarge is clearly thinking big. Its long term planning is based on putting biotechnology activities on an equal footing with the group's cement business in about 15 years' time.

Lafarge's bio-activities are eentred on Orsan, a eoncern with its roots in the sugar business going back to the beginning nf the century. Orsan, which came under Lafarge's control in its 1980 link-up with the Belgian group Copée, got not of sugar and invested in the fermentation business — before "biotechnology" was a fashionable corporate word — during the 1960s.

Orsan, quoted on the Paris bourse, is now owned 70 per cent by e holding company, the shareholders in wbich are split between Lafarge with 66 per cent and the farmers' co-operative bank, Credit Agricole, with 34 per cent. The remaining 30 per cent is held by outside investors, including small shareholders and some large French and foreign institutions.

Orsan provided Lafarge with the biotechnology entrée it had been seeking. As a technological follow-up from its activities in sugar refining, Orsan is now one of the world's leading producers of monosodlum glutamate (used as a food additive and in pharmaceuticals), with about 10 per cent of the international market.

Orsan's plant at Nesles in North East France, a converted 19th century distillery, also produces another amino acid, espartic acid, used as an artificial sweetener for drinks.

Additionally, under e collaboration deal with Ajinomoto of Japan signed in 1974, Orsan — through a 50-50 subsidiary with the Japanese group, Eurolysine — controls about one-third of the world market for e third amino acid, lysine.

This is added to animal feed to improve nutrition and lower costs by allowing replacement of soya by other cereals.

The Eurolysine plant at Amiens, north nf Paris, is being expanded under a three-year investment programme of FFr 450m. Orsan is also building with its Japanese partner a $40m lysine plant in the U.S., run by a new Inwa-based jointly beld subsidiary, Hearthland Lysine.

Lafarge was, however, determined that its biotechnology efforts should not stop at amino acids. "We wanted to gain e foothold in an area where biotechnology was making an impact," says M Le Hodey. "We decided it should be seeds, where genetie engineering is the principal factor in its development."

Following months of prospection, Lafarge through its Orsan unit took the plunge in May last year by buying the Illinois based maize seed company, Wilson Hybrids, one of some 200 smaller U.S. groups in the seed field behind the leader, Pioneer. It followed this up just before Christmas with the purchase of the seed production business of the U.S. chemicals group, Celanese.

Earlier this month, Orsan added to its strength in grains by building np to 39 per cent of its stake in one of France's biggest seed companies, Claeys-Luck, which specialises in wheat.

Claeys-Luck, in which Orsan already held 10 per cent, has a turnover of about FFr 1.3bn, with activities in 11 countries, including the U.S., Mnrocco and Argentina.

Claeys-Luck and Orsan are pooling efforts particularly in the race to produce hybrid wheat grams which could dramatically increase yield and resistance, as compared with existing varieties.

M Le Hodey reckons that hybrid wheat varieties could lead to an eight-fold increase in the present seed market through a donbling of volume and quadrupling of prices from current levels.

The two groups are linking up with the National Agronomical Research Institute (INRA) and other French seed companies in the race to develop hybrids — in which Lafarge realises it is likely to tangle head on with the world leaders in the field, Rhom and Haas, Monsanto and Nickerson (part of the Shell group).

A new research laboratory has just been set up in San Francisco to complement Orsan/Claeys Luck research in France. But it will take about six nr seven years to establish whether the wheat hybrid venture has firmly paid off.

M Lafarge believes that seed research ectivities — both in laboratories run by Orsan and its associates, as well as work contracted ont to universities in Europe and the U.S.—can be run to give results both in the short and the long term.

The purchase of the Celanese units was a crucial part of efforts to spread seed work into areas where the scientific pay-off is likely to be more immediate than with the wheat hybrids.

The Celanese seed companies —Harris, Moran and Celpril, specialising in vegetables and flowers—together form a group with a turnover of about $45m. They have production and processing facilities in six U.S. states, and operations in Canada, Holland and Italy.

Harris and Moran, employing 300 people, represent one of the ten biggest vegetable seed businesses in the world. The relatively small Celpril has developed potentially important techniques for assisting plant growth by "coating" seeds with hintechnologically-produced microorganisms.

Brushing aside claims that Lafarge had to pay dearly tc break into this field, M Le Hodey says the price paid for the trio was "decent"—at any rate, less than their turnover. Even though some restructuring will have to be carried out at the companies — which Celanese no longer regarded as part of its mainstream business —they will, he says be making a "positive contribution" to Orsan results this year.

M Olivier Lecerf, chairman of Lafarge Coppee: Decided several years ago on the need to diversify.

FT COMMERCIAL LAW REPORTS

Coke bottle not registrable as trade mark

IN RE-APPLICATIONS BY THE COCA-COLA COMPANY

Court of Appeal (Lord Justice Lawton, Lord Justice Browne-Wilkinson and Sir Denys Buckley): January 23, 1985

A LINE drawing of a bottle may be registrabln as the trade mark of a beverage if the bottle depicted is unusual and distinctive; hot the bottln itself or its shape are not registrable in that they are not "marks" capable of being applied to or incorporated in the berage.

The Court of Appeal so held when dismissing an appeal by Coca-Cola Company in respect of two applications for registration of trade marks, aod allowing it in respect of one application, from a judgment of Mr Justice Falconer upholding the Registrar's objections to the applications.

Section 38 of the Trade Marks Act 1938 provides: "(1) In this Act . . . 'mark' includes e device brand, heading, label, ticket, name, signature, word, letter, numeral or any combination thereof . . . (2) References in this Act to the use of a mark sball be construed as references to the use of e printed or other visual rerpeseotation of the mark."

* * *

LORD JUSTICE LAWTON said that at the begiooing of the eentury the company started to produce and sell Coca-Cote in the U.S. It was a success and there were many imitations. In 1916, in order to stop imitations, it designed a bottle of unusual shape in which to sell its beverage.

In the early 1920s the company started to sell Coca-Cola in its unusually-shaped bottles in the UK. There was ample evidence to show that the public in the U.S. and the UK associated the shape with Coca-Cola.

On January 9 1976 the company applied to register e trade mark consisting of "the distinctive shape and appearance of e bottle . . . as sbown in the accompanying representetion and specimen."

The Registrar nbjected to the application on the ground that the specimen was purely a container and bore no trade mark characteristic. He said: "It follows that if the actual bottle eannot be regarded as a trade mark, neither can a pictorial representation of it."

Oo March 13 1980 an application was made for registration of a line drawing of e Coca-Cole bottle. The ooly objection to that was that the mark, consisting of the drawing, was "not distinctive."

A third application, also dated March 13, was made on the hasis that "the mark consists of a bottle of the shape shown" in three perspective drawings.

The Registrar objected beceuse, so he said, what was elaimed to be a mark consisted "of the non-distinctive device of a bottle."

Mr Justice Falconer upbeld all the objections. The company appealed.

The main issue was whether a bottle of unusual shape could be a "mark" at all. The starting point must be the construction of the word in the Trade Marks Act 1938.

It was a word in ordinary use, not a word of art. Its construction was not limited by the words which followed it in the statutory definition. It had many meanings according to the context in which it was used.

The dictionary meaning most apt to the subject matter of the appeel was "a sign affixed or impressed for distinction" (see *Oxford English Dictionary*).

In *Smith Kline and French [1976] RPC 511, 534* Lord Diplock said that ". . . a 'mark' must be something thet can be represented visually and may be . . . applied to . . . or incorporated in the structure of the goods."

The relevant question was whether the bottle could be said to have been "applied" to the goods, which were a non-alcoholic beverage, or "incorporeted" in them. As a metter of the ordinary use of English language, the answer was "no."

In *Smith Kline ond French* the colouring giving the distinctive appearanee to the goods, which were drugs in a capsule, had clearly been applied to them. What was edjudged by the House of Lords to be the trade mark was the overall appearance of the goods, not the shape of the capsule.

The bottle did not affect the appearance of "the goods," the beverage in it.

Mr Blanco White, for the company, argued that the public associated the shape of the bottle with its contents; but that did not provide a reason for departing from the meaning of the statutory language.

That opinion was fortified by the Court of Appeal decision in *James's Trade Mork (1886) 33 Ch D 392*. There Lord Justice Lindley said: "A mark is something distinct from the thing marked. The thing itself cannot be a mark of itself . . . There is no monopoly in the shape."

In *Smith Kline and French* at page 537 Lord Diplock, after referring to *James*, said that "the 'thing merked' in the instant case is the pharmaceutical substance in pellet form within the capsules and the 'mark' is the colour applied to one half of the capsule and the various colours applied to the individual pellets within the capsule." He did not disapprove of the statement that a shape as such could not be registered.

Mr Justice Falconer was right to nphold the Registrar's refusal to register the "bottle" and the "shape" in the first end third applications, on the ground that they were not "marks."

He went on to adjudge that even if they had been marks they were not distinctive.

On the evidence and on the application of the principles ennnciated by Lord Diplock in *Smith Kline and French* at pages 538-539, he was wrong in adjudging that Coca-Cola bottles were not distinctive.

The evidence clearly established that the bottles distinguished the beverage in them from similar beverages produced by others. They had served their purpose for about 60 years. If any competitor sold his beverages in bottles closely resembling Coca-Cola bottles, his conduct would amount to passing-off.

It followed that no other trader could have a legitimate reason for using bottles of that shape, and that the shape of the bottles distinguished the company's goods for the purposes of the 1938 Act.

If the shape of the bottle was distinctive, as it was, a line drawing of that shape was also likely to be distinctive. It was more than a line drawing of a basic bottle shape.

The appeal should be dismissed in respect nf the applications for registration of "the shape and distinctive appearance of a bottle" and of "a bottle of the shape shown." It should be allowed in respect of the line drawing.

SIR DENYS BUCKLEY, agreeing, said that *James's Trade Mark* did not directly decide that the shape of an object could not serve as a trade mark in respect of that object, but Lord Justice Lindley's dictum in so far as was known, had never been disapproved. Adopting his observation that "the thing itself cannot be a mark of itself," his Lordship held that the shape of the thing marked could not of itself serve as a trade mark in respect of that thing, even if the shape were a fancy shape.

Lord Justice Browne-Wilkinson agreed with both judgments.

For Coca-Cola: T. A. Blanco White QC and Christopher Morcom (McKenna and Co.).

For the Registrar of Trade Marks: Hugh Laddie (Treasury Solicitor).

By Rachel Davies
Barrister

The Investment Trust Table

The Association of Investment Trust Companies regrets that, owing to a computer programming error in adjusting for warrants or options in issue, the net asset values of the following investment trusts were incorrectly stated in column (6) of the Table published on Saturday 26th January 1985. The figures as published together with the corrected net asset values as at 21st January 1985 are set out below in the same order as in the original Table.

Name of Trust	Net Asset Value as at 21st January 1985: Incorrectly published figure (pence)	Corrected figure (pence)
Edinburgh Investment	141	147
Save & Prosper Return of Assets	71	123
Witan	184	202
Shires	170	200
Greenfriar	238	234
Gartmore Information & Financial	63	74
Group Investors	296	303
Hambros	191	208
CJR Pacific	95	113
Drayton Far Eastern	145	154
F&C Pacific	177	191
TR Australia	119	122
TR Pacific Basin	324	332
Baillie Gifford Japan	314	323
Japan Assets	50	68
New Tokyo	369	377
English & International	297	323
Consolidated Venture	111	130
Edinburgh Financial	39	47
Murray Ventures	319	374
Stewart Enterprise	47	49

The Association of Investment Trust Companies

مكتبة الأمل

INTERNATIONAL COMPANIES and FINANCE

Barclays National profit down 42%

BY JIM JONES IN JOHANNESBURG

THE DETERIORATING business climate, narrower banking margins, losses on mortgage lending, and reduced hire-purchase lending margins contributed to a 42 per cent drop in operating profit in 1984 for Barclays National Bank, the 55 per cent-owned South African subsidiary of Barclays Bank of the UK.

Operating incoma dropped to R115.8m ($54.4m) in 1984 from R198.3m in 1983 despite an increase of 41 per cent in total advances to R13.52bn and a rise in total assets to R19.43bn from R15.55bn.

Barclays increased its mortgage lending rata yesterday by 1.5 percentage points to 22.25 per cent and told mortgage holders that they would have to increase their monthly repayments. This was an attempt to stem revenue losses on the bank's R1.2bn bome loan portfolio. Barclays is the only commercial bank to bave lent heavily on mortgages and yesterday's increase lifted its bome loan lending rate to about 3 percentage points above building society levels.

Wesbank, Barclay's hire-purchase lending arm, balved its operating income to R25m from R50.2m despite lending at record levels. The directors blama ceilings on hire purchase lending rates for the decline.

The commercial banking arm's taxed earnings dropped to R37.2m from R71.5m.

Mr Chris Ball, the managing director, expects interest rates to fall in 1985. However, while this would under normal circumstances lead to an improvement in banking margins, the directors say that conditions are too uncertain to predict the group's interest income this year. They add, "It would be unwise to forecast earnings or dividends for the bank in what is expected to be a very difficult year."

The dividend *total is* being maintained at 95 cents though earnings dropped to 151.6 cents a share from 236 cents.

● The rationalisation of its interests led to a substantial drop in turnover for Blue Circle, the South African cement and engineering group, in the year ended November 30 1984, but also led to improvements in operating profit and earnings.

Turnover dropped by 35 per cent to R194m ($91m) as a result of the sale of the loss-making subsidiary Hudaco and the relinquishing of loss-making earthmoving equipment franchises but there was an increase in nperating profits to R33.7m from R29.8m.

Large capital spending allowaoces led to a reduction in the effective tax rate to 24.3 per cent from 32.7 per cent and earnings attributable to ordinary shareholders rose to R18.8m from R11.2m.

Earnings increased to 81.6 cents a share from 53.4 cents and the dividend total has been held at 38.5 cents a share. Blue Circle is 55 per cent-owned by Blne Circle Industries of the UK.

Philadelphia and Hong Kong plan futures link

By Paul Taylor in New York

THE Hong Kong Commodity Exchange, the Philadelphia Stock Exchange, and the Philadelphia Board of Trade (PBOT) are considering the *possibility* of *linked* 24-bour trading in currency and Enrodollar options and other financial futures.

An agreement tn begin detailed discussions on possible cooperative activities was announced following a meeting in Philadelphia last week between Dr Kim Cham, chairman nf the Hong Kong Commodity Exchange, Mr Nicolas Giordano, president of the Philadelphia Stock Exchange, and Mr Arnold Staloff, president of the Philadelphia Board of Trade.

Initial discussions between the Philadelphia and Hong Kong exchanges will concentrate on the technical aspects of a proposed link and on research and the study of new contracts, according to Dr Cham. He added that discussions are expected to last at least a year. Later this year the Hong Kong exchange is due to change its name to the Hong Kong Futures Exchange and launch a stock index futures contract.

The Philadelphia exchange currently trades six curreocy options and has seen volume grow from 192,650 contracts in 1983 to over 1.48m last year.

Korean funds allow foreign investment

By Steven B. Butler in Seoul

THE KOREAN Government expects to authorise this year three new open-ended trust funds, scaled at $30m each, that will allow foreigners to invest indirectly in Korean securities.

Tha issue of the new funds continues a gradual process of liberalising the market and broadening investment opportunities for foreigners. Non-resident foreigners are currently barred from directly owning Korean securities.

Tha first of the new funds is expected to receive final authnrisation in late March. The fund will be managed locally by Citizens Investment Trust Company. Jardine Fleming Limited and Nikko Securities are expected to be the fund's lead managers.

The Ministry of Finance and the companies involved have not yet settled on the market for the new fund, although it is expected to be in Asia.

There is also disagreement over how much of the fund's assets will be invested in equities and how much in corporate bonds. The Ministry is pushing to have tha fund invest between 30 and 50 per cent of its assets in corporate bonds, while the securities companies want to invest more heavily in equities.

The Ministry said the supply of bonds in the market was in excess of demand and that new investment trusts, wbether sold in foreign or domestic markets, would be required to keep a *larger percentage of their portfolios* in bonds.

Last year a $60m closed-end fund, Korea Fund Limited, was listed on the New York Stock Exchange.

Investcorp assets almost trebled

BY MARY FRINGS IN BAHRAIN

ARABIAN INVESTMENT Banking Corporation (Investcorp), which last August led the leversged buy-out of Tiffany & Co, the New York jeweller, nearly trebled its assets and achieved a substantial improvement in net earnings for 1984.

Assets jumped from US$81.3m at the end of 1983 to $236m, while profits of $11.1m compare with $10.2m in the previous 18-month financial period. The directors are recommending the distribution of a 15 per cent dividend.

Return on sbareholders' equity of just over $50m improved from 20.3 per cent to 22.1 per cent, and the return on average assets was 7 per cent.

Investcorp is a publicly quoted Bahrain investment bank founded in 1982 by a nucleus of 120 Gulf-based individual and corporate investors wbo each put in $1m. They bad agreed on a limit per shareholder of one half per cent of the $200m issued capital (whicb is still only 25 per cent paid up) in order to ensure a broad client base.

Another 215 founders subscribed $54m, leaving $26m worth of shares for public flotation. Althougb the issue was 1,400 times oversubscribed, many small investors as well as speculators were disillusioned wben share prices crashed in the aftermath of the collapse of the Kuwaiti stock market.

Among the major deals arranged by Investcorp in 1934 were:

● The $135.5m buy-out of Tiffany and Co by Investcorp and 28 members of Tiffany's senior management from Avon Products. The transaction was structured to utilise the company's assets as the basis for sourcing the senior debt, subordinated debt, and an as yet unspecified amnunt of new equity to fund the purcbase price. Investcorp is now placnig the senior debt and a portion of the subordinated debt aod equity in the U.S. The rest of the subordinated debt and equity will be placed with international investors later in 1985. Iovestcorp will follow its usual practice of retaining a portion of the investment for its own account.

● The arrangement of the $36m purchase of a significant interest in Whittaker Corporation's marine group. Whittaker agred to sell its Bertram Yacht division, Trojan Yacht division, Kettenburg Marine division and Riva Yacht subsidiary to three newly formed corporations which will be jointly owned by Whittaker and Investcorp.

● The placing of the Middle East portion of a $42m international venture capital partnership set up by Olivetti.

● A $22.3m first mortgage on a prime Philadelphia office building where corporate tenants bave already leased 22 of the 25 floors. Investcorp bas beeo retained to advise on the building improvement and leasing programmes.

Marginally higher results at Shiseido

TOKYO — Shiseido Company, Japan's leading manufacturer of cosmetics, lfted parent lcompany net profits by 0.6 per cent to Y12.41bn ($48.8m) in the year to November. Pre-tax profits were 5.9 per cent hgiher at Y30.36bn and sales rose by 1.7 per cent to Y323.31bn

Earnings per share eased to Y53,18, on increased capital *from Y59.29 but the dividend* total is maintained at Y10 per share with an unchanged final payment of Y5.

Sales of cosmetics, which account for 84 per cent of the total, gained 1.2 per cent from a year earlier to Y319.06bn.

The company said sales edged npward mainly due to the development of new products, to active sales of former products, and to the strengthening of its marketing organisation.

From July last year, Shiseldo said, it began to place more emphasis on research and *development, especialy in the* biotecbnology field, and started to work toward improving production processes and streamlining business operations through office automation and other means.

● Wang Laboratories, a major U.S. manufacturer of office computers, bas launched a full-scale business operation in Japan with the opening of a showroom in central Tokyo and the announcement of a line of hardware capable of Japanese-language processing.

Wang's move to Japan is to be followed on *February 4* by the Lowell, Massachusetts-based company's opening of a Hong Kong headquarters for the Asia-Pacific region.

AP-DJ

UK COMPANY NEWS

Streamlined Rank moves ahead 52%

A STRONGER financial position has arisen at the Rank Organisation from improving performance end the disposal of low yielding assets, and the directors say this will provide increasing opportunities to continue profitable development of leisure nad industrial businesses.

Following a 27 per cent lift in pre-tax profits at the balfway stage to £48m, profits for the year to the end of October 1984 grew 52 par cent from £69.3m to £105.3m.

During the year under review the directors say that planned sales of unwanted assets realised £118m and, since the year end, further sales bave raalised an additiooal £82m. As part of this programme, Rank's interest in investment property bas come to an end, with the sale, in three separate transactions, of the Rank City Wall Company.

Trading performance in the aarly part of the current year has continued to show improvemeni in manaeed business, say the directors, and increased profitability is anticipated from associated companies.

A 20 per cent lift in the dividend has heen recommended —a final of 7.2p against 6p raises tbe total payout from 10p to 12p. Earnings per 25p share are shown moving up aharply from 14.3p to 27.7p.

Turnover of this group, which has interests in film and television services, holidays and recreation, holels and caterine and electro-optical and electronic equipment, was lower at £724.7m against £742.9m.

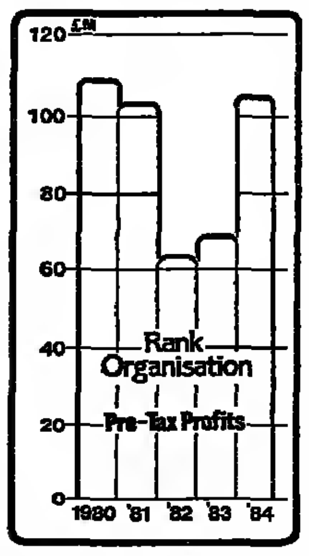
At the trading level profits increased by £30.3m to £125.2m with managed businesses contributing 57 per cent more at

Sir Patrick Meaney, chairman of Rank Organisation

£59.8m, reflecting increased improvements from all the main operations, except Rank Travel and UK Film Exhibition. Holidays and recreation were £7.6m down at £8m. Rank Xerox associales contributed 22 per cent more at £63.9m—other associales profits came to less at £1.5m (£4.5m).

A hreakdown of tradine profits shows: film and television services £7.2m (£6.4m); holiday and recreation £8m (£15.6m); botels and calering £11.3m (£6.4m); industrial £7.7m (£6m); international £5.6m (losses £2.9m); City Wall £11.9m (£10.1m); cinema disposal profits £7.1m (£3.5m). Discontinued businesses and unallocated added £1m (took £6.9m).

The directors point out that net horrowings at the year end



fell to £146.1m, and interest costs showed a consequent fall of £5.7m to £19.9m.

Another significant divestment during the year was the sale of the group's 50 per cent sbareholding of an associale. The Greater Union Organlsation in Australla.

As a result of the past decline in film exhibition in the UK, Rank owns a number of cinema sites that are no loneer in operational nse. It is continuine policy to seek profitable utilisation and disposal of surplus sites.

The remaining 50 per cent shareholding in Rank Phicom was acquired for £4.5m and this operation is now integrated fully within film and television services.

Capital expeoditure of £25m was invested in the further development of the group.

Profits were subject to tax of £42.1m (£37.8m) leaving net profits ahead from £31.5m to £63.2m. Minorities took more at £6.6m (£2m) and last time there were extraordinary charges of £25.4m, which means the attributale balance emerges sbarply up from £4.1m to £56.6m.

Dividends will absorb £24.8m (£20.8m) wbicb gives a surplus carried forward of £31.8m this time, egainst a previous deficit of £16.7m.

Net tangible assets per sbare at the year end came to 232-3p compared with 235.5p.

● Rank Prevision Indnstries Holdings, a subsidiary of Rank Organisation, which bas a major interest in Rank Xerox, and which makes a range of precision-made products including hroadcasi television equipmeni, made higher pre-tax profits of £42.65m against £36.13m, on turnover of £57 04m compared with £56.39m.

Pre-tax profits included assoclate profits of £31.97m (£26.12m) and interest recelvable of £3.81m (£3.73m). Profits were suhject to tax of £18.49m (£17.26m), and minorities took £912,000 (£918,000). There were extraordioary credits this time of £2.35m (deblts £497,000).

● Investment income at A. Kershaw & Sons, a subsidiary of Rank Organisation which bas an associate bolding, Rank Precision Industries, increased from £4.37m to £5.06m, which was subject lo tax of £121,000 compared with £206,000.

Earnings per share were shown as 14.15p, against 11.91p, and a same-again final of 11p has been recommended, which bolds the total at 15p.

See Lex

Globe soars 25% to £12.6m at nine months

THIRD QUARTER available profits of the Globe Investment Trust rose by £3.12m to £5.23m and lifted the total for the nine months to December 31, 1984 from £10.07m to £12.62m, an increase of over 25 per cent.

The third qnarter especially benefits from dividend receipts frcm some of the group's major boldings. And changes in the portfolio since last year fnrther boosted income for the qnarter.

The dlrectors do not expect the same percentege income increase for the full 12 months bnt say they are looking for another "satisfactory" Improvement desplte the rapld rise in interest rates in tbe UK.

Avallable profits for the 1983/84 year totalled £15.14m (£13.48m).

At December 31, 1984 uet asset valne per 25p share net of prior cbarges at market valne bad risen to 360.89p, an increase of 9.06 per cent over the 330.9p at end-March 1984.

Gronp income for the nine months improved from £18.9m to £25.05m with the third qnarter contrihntion up by £4.09m at £8.93m.

Available profits for the period were struck after dedncting interest cbarges of £6.29m (£2.48m), tax of £6.04m (£5.59m) and adding in minorlties of £25,000 (24,000).

Earnings per share at nine months were 7.68p (6.15p) baslc and 7.53p (6.06p) fully baslc and 7.53p (6.06p) fully dilnted. Respectively these were increases of 24.88 per cent and 24.26 per cent. Basic third quarter earnings totalled 3.18p: fully dilnted they emerged at 3.08p.

The directors say the past months have seen a steady deterioration in the U.S. agricultural Industry and, with the exception of a pecan processing and freezing plant wbich is a profitable investment, the gronp is now fortunate to be totally dlsinvested from U.S. agricnlture.

Globe has disposed of lts total 7.14 per cent sbare holding in Stone International. The abares were placed primarily with institntional investors.

● comment

Globe is no longer the blg and very general fund that was born out of the merger with Cable in 1977. It has concentrated its portfolio—36 companies now account for over 60 per cent of assets —and lts managers search for specific situations rather than worryingabont portfolio welghtings. The active management style, whicb perhaps first emerged at the time of the Mercantile House/Oppenheimer takeover, has reappeared time and again. Glnbe has a repntation for backing management buyonts and it was instrumental in nurturing Stone back to tbe market. And the role of passive investor was well and turly shed with a 20 per cent investment in Waterford Glass. The market can expect more management changes there before long. All this effort has rewarded sbareholders with an above average performance in recent years and there could be a dividend increaes of 12 to 14 per cent on the way for a yield of 5.7 per cent at 253p. Bnt still the shares stand at a 30 per cent discount to assets against a sector average nearer tn 25 per cent. In part that is a reflection of Globe's sheer size—£700m of assets. Bnt the group is worthy of a better rating and very slowly the market's perception of the stock should change.

Courts returns lower first half profits of £2.62m

Courts (Furnishers) returned lower first-half taxable profits of £2.62m agaiost £2.81m, although the result included a lower deferred profit of £297,000 (£603,000) because of Increased credit trading overseas.

Turnover for the six months to end-September 1984 rose from £35.45m to £42.53m.

Sales in the UK were ahead of last year but profits were held back by Increased financing costs on higher borrowings, as foreshadowed by Mr Edmund G. Cohen, chairman, in the last aonual report and accounts.

To date, six new stores hove opeoed in the UK, including two out-of-town retail warehouses at Corby and Swansea. Two atores have been closed.

Overseas, seven units in Hong Kong were sold hut eight opened in existiog trading areas, four in Australia, two in Singapore and one each in Barbados and St Lucia. A new store will open shortly in Mauritius.

The Interim dividend is heing held at 1.75p net per 25p ordinary. Stated earnings were 6.4p (6.2p). A final of 2.95p was paid for the last full year.

There was an extraordinary charge of £527,000 (nil) being the anticipated loss resulting from the sale of Court'a Hong Kong subsidiary in September, which had been trading at a "substantial loss." Elsewhere, overseas trading was aatisfactory in most areas.

Profit after tax emerged ahead after a lower tax charge of £1.08m (£1.31m). Minorities accounted for £147,000 (£137,000). Profits were adjusted, as previously, for movements in exchange rates at the half year. Retalned profit will bo £471,000 (£965,000) after dividends have absorbed £399,000 (£398,000).

The directors say that second-half trading to date has been good in most overseas operations, while UK trading continued satisfactorily until the bad weather hit the important sale perlod.

● comment

Courts bas never exactly moved the earth and these interim results do little to change the market's historical view of tbe company as a family-run plodder. Of late, the company has suffered from the fact that most of its sbops are situated in the High Street at a time when furniture sales have increasingly moved to edge-of-town locations, with the result that it has not really been a full participant in the consumer spending boom. Now, however, this seems to be changing with the opening of two out-of-town shops, but the transformation will be a long haul. Looking at these figures specifically, the underlying trading position in the UK is an improving one after discounting the effects of higher interest charges from the doubled spending programme and the deferred profit brought in from HP business. With the Hong Kong lossmaker disposed of, full year profits should be similar to last year, giving a fully-taxed prospective p/e of just 5.6 at 92p.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purposes of considering dividends. Official indications are not available as to whether the dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Applied Holographics, English Association, Gold Fields Property, Harvey and Thompson, New Witwatersrand, Oceana Consolidated, Peerless, Trent Holdings, Wintrust, Zetters.

Finals: Fleming Fledgling Investment Trust, Throgmorton Trust, Union Discount, Vogelstruisbult Metal.

FUTURE DATES

Interims—	
European Assets Trust	Feb 7
ML Holdings	Feb 5
Marler Estates	Feb 5
Protimer	Feb 11
United Real Property Trust	Feb 12
Finals—	
Birmid Qualcast	Feb 14
Goode Durrant and Murray	Feb 7
Willoughby's Consolidated	Jan 31

Samuelson makes £3.94m rights

BY STEFAN WAGSTYL

Samuelson Group, the film and audio-visual equipment hire company whose latest credits include Amadeus, a film of the life of Mozart, is raising £3.94m with a one-for-four rights issue.

The company, which also announced record interim profits yesterday, says it wants the money to expand and to make further acquisitions, following three purcbases in the past year.

The issue will reduce the Interests of the controlling Samuelsoo family from about 77 per cent to around 65 per cent.

The 633,295 new shares, underwritteo by County Bank, are beiog offered at 650p a share. Samuelson sbares, which hava risen dramatically over the last year from a low of 145p, fell 50p yesterday to 790p.

Samuelson's pre-tax profits for the six months to the end of September were np 128 per cent to £1.2m on turnover up 24 per cent to £10.9m. Tax was £486,000 (£276,000).

For the first time, tbe company is paying an interim dividend—2.5p net—and it is furecacting a final of 6.5p, against a single 6.65p payout last year.

Earnings per share were up from 10.1p to 28.7p.

Samuelson's activities dlvide between lts traditional business of hlring equipment for film and television production and a fast-expanding work in audio visual presentation, including trade shows, product launches and rock music concerts.

The company says there is a high level of activity in the film and television industries—and the favourable infinences present in the first half of the year are still being felt in the second.

Mr Johnathan Samuelson, finance director, said that the fall of the pound against the dollar had made it more attractive than before for international companies, especially American ones, to hire British equipmcot and technicians.

The iwo ecquisitions made last March—Bray Studios and Zenith Lighting—both played a part in the growth. The £1.6m acquisition of the assets of Theatre Projects ... in November had strengthened the positinn of the audio-visual presentation business.

● comment

There seems little doubt that those investors lucky enongh to have got their hands on scarce Samuelson shares in the past should take up the opportunity to buy some more. They should not be unduly worried that the shares fell 6 per cent yesterday: they trade in a narrow market end it was a terrible day. The group has a clear idea of its expansion plans—while its traditional film-making business is buoyant, it is diversifying into areas where its skills and reputation and above all its great pool of hardware can be profitably employed. The company ought to make about £2.6m, which on a 40 per cent tax charge, puts the shares, on an ex-rights price of 762p, on e prospective multiple of ebout 12½. At lhat level, Samuelson is still attractivo to new investors, though they wonld be well advised to wait until the market settles down.

Meggitt recovery boosted

A TURNROUND of £535,000 to profits of £354,000 has been produced by Meggitt Holdings for the year to the end of October 1984, including a two montha contribution from the recently ecquired Insley Group.

Meggitt returned to profits of £152,000 (losses £140,000) at the halfway stage following three years of lossea.

Full year turnover of this holding company which distributes machine tools, moved up from £3.82m to £5.22m.

Early months trading in the current year sbow a further increase in turnover and e better level of inquiries for new business, the directors say.

Since the year end two more acquisitions have expanded energy engineering activities.

At the time of the Insley acquisition the directors said it would help facilitate a return to dividend payments and envisaged declaring one in the next financial year.

Earnings per 5p sbare for the year were shown as 3.6p against previous losses of 2.6p.

The directors say they have more than £2.5m surplus cash on deposit end believe the group is well placed for expansion during the next 12 months.

Cowan de Groot makes further headway

Cowan de Groot, importer and manufacturer of toys and giftware, continued its profits recovery over the six months to October 31 1984, despite a virtual standstill in turnover.

Most of the profits are generated during this period owing to the seasonal nature of the group's business but while lt is too early to forecast the results for the full year the directors are "optimistic of a aatisfactory outcome."

Group turnover for the opening balf declined from £15.79m to £15.66m but et the pre-tax level profits pusbed ahead by £46,000 to £656,000.

The interim dividend is the same at 1p net per 10p share. Earnings improved to 3.3p (3.1p).

Once again D. Dekker produced commendable results. Dne to continuing expansion it is now ln the process of moving to larger and more suitable premises adjacent to its second factory ln Tottenham.

Other companies within the group, notably EWL Electric in Dublin and W. F. Horwood, continued their upward trend in profitability.

Cowan de Groot (Toys and Giftware) suffered from sterling's fall and two dock strikes, and actioo being taken here ls unlikely to benefit the profit and loss account during the year.

The result of the Harrogate Toy Fair, an important indicator of the 1985 aeason, was "extremely encouraging."

In the electrical and bardware sector Richard Kelly found sales particularly sluggish and is "battling bard to restore a reasonable profit contribution."

The improved position of EWL Electric, the Irish subsidiary, bas encouraged the formation of a joint distribution company with Irisb Cable & Wire. The new company has been eranted, with certain minor exceptions, sole distribution rights of Irish Cable & Wire's products in Ireland.

Group tax for the first six months took £139,000 (£117,000) to leave the net balance at £517,000 (£493,000

Cowan de Groot saw its profits before tax rise to £2.57m in 1979-80 but fall to £135,000 in 1981-82. Last year they recovered to £880,000.

Home Farm falls midway

A drop in pre-tax profits from £510,000 to £387,000 has been shown by Sbeffield-based pork bntcher, Home Farm Prodncts, for the 26 weeks to December 1 1984. Present economic outlook indicates that trading in the second half will be more difficult than in the first, say hte directors.

However they point out that there should be a "moderate contribution" to profits from the recent acquisition nf Bowlers Potted Meat.

The net Interim dividend has been beld at 1.15p. For the 53 weeks to June 2 1984 a total of 3.25p was paid from pre-tax profits of £329,000 (£1.01m). First-balf earnings per sbare ere sbown es slipping from 5.32p to 4.69p.

During the past six months an additional retail freezer centre has been acquired in Sheffield, and the size of bacon packaging premises et Worksop has been doubled by the acquisition of an adjacent building.

Dom set for improvement

Profits fell at Dom Holdings ln the first six months, but the directors anticipate an improvement in the full-year result following the stabllisatioo of new product ranges.

The taxable result for the first balf to September 30 1984 was £530,000, against £602,000, after the expected development and production costs associated with the new product introduction.

Dom manufactures fixing products. Turnover for the period uoder review amounted to £8.6m compared with £8.18m.

An unchanged interim dividend of 1.725p bas been declared. Last year's total dividend was 4.95p, when pre-tax profits amounted to £1.04m.

First-half tax was £269,819 (£209,496), leaving a net profit of £260,418 (£392,650). Dlvldends will take a same agaln £129,375, to leave retained earnings of £131,043 (£263,275).

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corresponding div.	Total for year	Total last year
Access Satcllite ......int	1‡	March 13	—	—	—
Courts Furnishers ...lnt	1.75	April 12	1.75	—	4.72
Cowan de Groot ......int	1	April 1	1	—	2
Daejan Hldgs. ....int	5¶	March 21	2.88	—	12.5
Dom Hnldings ....int	1.73	March 15	1.73	—	4.95
Hambro Trust ....int	2.15	March 20	1.59	—	6.11
Haynes Publishing ...int	4	April 30	3.5	—	12
Home Farm Prodncts int	1.15	May 10	1.15	—	3.25
IDC Group	5.73	—	5.12	7.5	6.75
Keliock Trust	0.6	April 19	0.35	0.6	0.35
Leda Inv. Trust sec int	3.5	Feb. 28	3.01	5.6	5.04
Meat Trade Sup ......int	1.75	March 29	1.75	—	5.25
Microgen	7	April 9	4	10	6
Rank Organisatiou	7.2	—	6	12	10
Samuelson Group ...int	2.5	April 9	nil	‖—	*6.65

Dividends shown pence per share net except where otherwise stated.

* Equivalent after allowing for scrip issue. † On capital increased by rigbts and/or acquisltion issues. ‡ USM stock. § Uoquoted stock. ¶ To reduce disparity. ‖ Final of 6.5p is forecast.

Dunlop Olympic buys stake in Chloride

By Alexander Nicoll in London and Michael Thompson-Noel in Sydney

A 14.9 per cent stake in Chloride, the British bottery group, has been purchased by Dunlop Olympic, one of Australia's biggest manufacturers and a competitor to Chloride in Australasia

At market prices, tha bolding of ordinary and preference shares is worth £9.5m. No price was disclosed, bowever, by Dunlop Olympic or ibe vendor, the Australian resources group CRA which is 52.9 per cent controlled by Britain's Rio Tinto-Zinc.

Dunlop Olympte, which no longer has any connection with Dunlop of the UK, becomes the lorgest sbareholder in Chloride, which has been slowly recovering from financial troubles since 1981 and is headed by Sir Michael Edwardes—also chairman of Britain's Dunlop.

Chloride, which was told of the deal at a meeting with Dunlop Olympic last week, has not greeted it with enthusiasm. A spokesman noted yesterday that the two companies were competitors, and that therefore "we cannot say that we particularly welcome Dunlop Olympic's presence as a shareholder."

Chloride has not been told of the Australian group's future intentions, he said, and there had been no discussion of boardroom representation—CRA had never sought a place among Chloride's directors.

Dunlop Olympic, an expanding group with annual sales approaching A$2bn (£1.5bn), said it boped that o link with Chloride would help the development of its Pulsar automotive battery, which it claims to be the most advanced car battery in the world.

The battery, due to go into full scale Australian production in March, is said to be up to 50 per cent smaller and lighter than conventional auto batteries, and not to need maintenance.

Chloride launched its Torque Starter battery in 1983 — also lighter than conventional batteries and said to be maintenance free. It said yesterday that it had been offered licences for the Pulsar but needed more information on it. The Pulsar is not yet proven in world markets, it said.

CRA bought its stake in 1981 for about £9m, including take-up of o rights issue, as an investment in a major user of lead to help it keep abreast of new technology in lead acid batteries.

Chloride ordinary shares showed little reaction to yesterday'o news, falling 1p to 30p.

Guinness Peat to acquire 25% of Britannia Arrow

BY DAVID LASCELLES, BANKING CORRESPONDENT

Guinness Peat (GP) gave another sign of its mounting self-confidence yesterday with plans to buy a 25 per cent stake in Britannia Arrow, the investment and banking group.

The deal will link two companies with wide interests in financial services, and ts structured to give a big boost to GP'a equity. It will also put GP in the unusual position of owning a stake in two accepting houses, Guinness Mahon and Britannia'a recently acquired Singer & Friedlander.

The directors of Britannia Arrow said last night they were unable to see the advantages to the shareholders of either group of the proposed closer association as the groups are in direct competition.

Previous discussions between Britannia Arrow and Guinness Peat related to the possible ocquisition by Britannio Arrow of Guinness Peat's merchant banking subsidiary, Guinness Mahon. Subsequent to these discussions Britannia Arrow acquired Singer and Friedlander instead.

GP, which has just resumed paying dividends after three years of losses, will buy the stake from the United Kingdom Temperance and General Provident Institution (UKPI). The 34.3m shares represent nearly 23 per cent of Britannia's outstanding capital. GP is also buying £10m face value of loan stock, which la convertible into a further 10.8m shares, and whicb would give it 25.2 per cent of Britannia's enlarged sbare capital.

GP will pey for the shares by issuing 51.5m new sbares of its own on a three-for-two basis. Taking GP sbares at 70p each, the price is £36m, equivalent to 105p per Britannia share.

The stock market reacted with disappointment. Britannia's shares, wbich had been driven as bigh as 115p by takeover rumours, fell 11p to 98p. GP closed at 68p, down 2p.

GP says the deal will give it a strategic investment in a retail financial services and fund management operation on both sides of the Atlantic, an da close relationship with UKPI, a major life insurance company and institutional investor.

Mr Alostair Morton, GP's chief executive, said GP has no plans for a takeover bid, but migbt raise its stake to 30 per cent if the opportunity arose. Britannia Arrow, which appeared to be surprised by the deal, bad no comment, but Mr Morton said relations were "amicable."

GP is a diversified group engaged in wholesale financial services, banking, aviation, energy, property and insurance. Tha stake in Britannia Arrow brings it a retail-oriented group offering personal investment, banking and broking services.

Mr Morton said be would be exploring co-operotion opportunities with Britannia, though be did not want to exaggerate the possibilities. He said GP'a aim was not to become an integrated financial services company, but to manage its own and clients' assets.

The ocquisition got a generally puzzled reaction in the City where its purpose did not seem clear, though one analyst said: "At least GP can't lose." UKPI, however, earned praise for a well-timed sale of Britannio shares.

* * *

Smiths Industries has acquired a small specialised rubber processing company, Unitex, of Knaresborough, North Yorkshire, for a consideration believed to be in the region of £1.5m.

* * *

John Newman, Nicholas Shipp and Menstar. Finance between them bold 850,000 shares in Boek, amounting to approximately 5.2 per cent.

Cement Roadstone £36m U.S. acquisition

By Charles Batchelor

Cement-Roadstone Holdings, Ireland's largest industrial company, is buying Callanan Industries, o U.S. aggregates, asphalt and concrete products group, for $40m (£36m) cash. The acquisition will double CRH's U.S. business.

Calanan made a pre-tax profit of $7.95m on turnover of $70m in the year ended March 31 1984 and had book net worth of $25m at that year end. It is expected to have net cash of $9m ot Marcb 31 1985, while a revaluation of its fixed assets is expected to show a substantial surplus on book values.

It is based near Albany, New York, employs about 800 people, and owns six quarries with reserves of more than 400m tons, six gravel pits, 12 asphalt plants, a concrete block plant ond three Spancrete (pre-stressed slabs and beams) plants.

Callanan is CRH's fourth and largest purchase since it began its move into the U.S. in 1978 with the acquisition of Amcor, a Los Angeles-based construction materials company, for $12.2m.

CRH's U.S. operations generated revenues of $84m and pre-tax profits of $9m in the yeor ended December 1984.

Mr 'Doc' Marcelle, president and a 60 per cent sharebolder in Callanan, will remain with the company, which will form part of CRH's U.S. holding company, Oldcastle.

The purchase will be financed from CRH's existing dollar loon facilities. The acquisition is expected to increase debt from o current 30 per cent to just over 40 per cent of shareholders' funds.

Callaoan will give CRH a base in the North-Eastern U.S. where it expects major spending on the renewal of the road and bridge network. New York state recently issued a $1.2bn transportation bond.

CRH's shares were unchanged at 57p yesterday.

Dunlop seeks a better liaison with its U.S. shareholders

BY CHARLES BATCHELOR

Dunlop Holdings, the debt-laden tyre and rubber products group, has signed up Goldman, Sachs, a leading U.S. investment bank, to improve communications with its U.S. shareholders.

Between 4,000-5,000 U.S. investors bold a combined 27 per cent stake in Dunlop in the form of American Depositary Receipts. They will play a crucial role in Dunlop's defence against ibe unwelcome £33m takeover bid launched by BTR, the broadly-based conglomerate.

U.S. sbareholders are barred by their own stock market rules from taking up shares under the planned 15-for-seven rights issue which forms part of Dunlop's £142m refinancing pockage.

This may mean they opt to sell their shares to the highest bidder rather than back the Dunlop refinancing package to be put to a shareholders' meeting on February 8.

Dunlop also faces a problem in contacting its U.S. shareholders who do not oppear on its share register. It would have to work through Morgan Guaranty, the bank which bas created most of the ADRs, the U.S. clearing corporation with which they are deposited, and U.S. brokers and banks.

Goldman Sachs bas also been instructed to look after Dunlop's U.S. interests, including the Dunlop Tire and Rubber Corporation, its U.S. tyre-making subsidiary.

Dunlop refused to comment on speculation that Goldman Sachs had been asked to fiod a rival bidder to BTR.

The bank, which is the largest partnership in the U.S. securities industry, was retained by Sotheby's, the art autioneer, and by Thomas Tilling, the industrial boiding group, to fight off unwelcome takeover bids. Tilling finally succumbed to the bid from BTR but Goldman Sachs brought in Mr Alfred Taubman, the multi-millionaire U.S. proporeyt developer, to buy Sotheby's.

In a separate move, Dunlop yesterday announced the reorganisation of its engineering division. Its profitable aviation business — including aircraft tyres and braking systems—is to be spun off into a new aerospace division with annual turnover of about £50m.

Dunlop's Angus Fluid Seals and Polymer Engineering businesses will be tranaferred to the engineering division from the industrial division to bring together all the automotive wheel and suspension activities under the same profit centre.

Mr Percy Plant, formerly managing director of BL's Land-Rover-Leyland International division, is to take over as chief executive of Dunlop's overseas businesses.

W. Allen to call in receiver

W. G. Allen and Sons (Tipton), the West Midlands boilermaker and engineer, last night decided to call in the receiver after obandoning ottempts to find o buyer.

The company said it bad encountered o severe shortage of working capital as a result of problems with Burgess Engineers and B&E Boilers, two businesses which it acquired last March.

It said that since January 16, when discussions with one possible bidder ended, it had put together an outline plan to restructure the group and had identified possible support from a number of investors.

Although it bod received a further conditional offer, it bod not proven possible to bridge the gap between the company's present position and the time when the reshape or an offet could be concluded.

Shares in Allen were suspended ot the company's reqoest ohead of the announcement. They stood ot 23p.

The directors said that investigations by the company's ouditora, although not yet complete, indicoted a substantial deficiency of assets in Burgess and B&E which might give rise to a claim of some £1m. As a result its borrowings bad risen.

Allen paid £164,000 in cash for the two businesses, ocquired from Richardson Westgarth, in a move which it saw at the time as strengthening its boiler interests.

In its accounts for the year to March 1984, Allen had indicated that it would be due a sum of money from Richardsons if a deficiency existed in tho net asset valua ogreed at the acquistion. It said last night that, having taken legal advice, it had been advised thot such a claim would be well founded.

Takeover Panel to seek clarity on Racal forecast

THE Takeover Panel is to meet Racal Electronics later this week to seek clarity on its profits forecast for the current year.

This follows the warning a week ogo by Sir Ernest Harrison, Racal's chairman, that profits for the group would be substantiolly below expectations.

Representations hove *since* been made to the Panel by County Bank, odviser to the hoard of Chubb and Son during the three-month contest which culminated in the takeover of the security group by Racal last November.

County Bank yesterday met the Panel to discuss its understanding that Racal, after the lounch of its final offer on October 2, had forecast toat it would achieve a "good improvement" in earnings for the year to March 31 1985.

Racal, however, has been insistent that the only commitment it made was that contained in the offer document, which forecast profits "at least double" the 1978-79 level of £61.62m.

Mr Robert Ogilvie of County Bank said after yesterday's meeting with the Panel: "We were not there looking for o witch-hunt. We *believe* we can rely on the Panel to look independently at the facts and come to a view on whether the forecast had been made with due care and attention."

Mr John Lee of the Takeover Panel soid the panel had also met Hill Samuel, Racal's advisera, and would be meeting representatives of Racal later in the week.

"There can be a number of reasons why a forecast is not met," be said. "Our general objectiva would be to check that nothing negligent had taken place."

LMI lays claim to 9% of Hoskins

London & Midland Industrials (LMI) increaaed its stake in Hoskins & Morton to 8.6 per cent by Monday's first closing date on its revised offer. It has acceptancea from holders of 5.9 per cent of H & H'a shares and owns a further 2.7 per cent.

LMI's increased offer, which has the backing of the H & H board was topped on January 24 by a higher bid from Scottish Heritable Trust. The trust's bid does not have the agreement of the H & H board but the trust already has a 28.8 per cent holding in H & H.

LMI has extended its offer to February 17. It has acceptances from the holders of 160,834 ordinary shares (5.9 per cent) and 6,513 preference shares (32.6 per cent).

Shareholders approved a resolution authorising an increase in LMI's share capital and alloting new ordinary shares to holders of H & H shares at a meeting

Thorn EMI deal boosts computer software side

Thorn EMI, electronics and electrical group, has ocquired *EPS Consultants, a large supplier* of computer decision support systems, in a deal worth up to £8.26m.

This purchase, which was confirmed yesterday, will make Thorn EMI's computer software division the largest of its type in Europe, with turnover approoch-iog £30m, the company said. Thorn first announced that agreement on the deal had been reached in principle last September.

EPS made pre-tax profits of £2m on turnover of £11.7m in the year ended Morch 1984. Founded in 1973, it employs obout 300 people and operates directly to 12 countries, with agents in o further 15.

This deal gives Thorn rights to the FCS-EPS range of software products. Thorn has bought thet net assets of EPS Consultants ond Financial Computer Systems, two businesses carried on by Dr P. D. Power and Mr G. O. Wilks, the group's founders. It has also acquired the caoital of 10 subsidiary companies in Europe and North America.

Thorn will make an initial payment of £2.41m and up to £3.3m more, dependent on pre-tax orofits of EPS outside North America for the year ending March 31 1986. Both payments will be in the form of Thorn shares. It has also settled for cash £2.55m worth fo loans owing to the vendors.

Suter raises Lloyd holding

Suter, the refrigeration and hairdressing equioment group headed by Mr Dovid Abell, is understood to have increased its holding in F. H. Lloyd, the foundry and engineering company, to nearly 15 per cent through a purchase of shares yesterday.

A 10.85 per cent holding was disclosed yesterday by Suter, which revealed a 6.9 per cent staka less than a week ago after disposing of 11.7 per cent of band took maker James Neill.

F. H. Lloyd's shares fell 1p to 50p yesterday, valuing the company at £12m.

Based in the West Midlands, Lloyd has been rationalised by choirman Mr Lewis Robertson and chief executive Mr John Pinckard. But pre-tax profits fell in the first balf ended September 29, 1984 reflecting severe competition and a sluggish market worsened by the miners' strike.

UK COMPANY NEWS

Gallaher up 7% to record £108m

A RECORD year has been experienced by Gallaher, the major cigarette manufacturer best known for its Benson & Hedges and Silk Cut brands. Profits before tax improved by 7 per cent in 1984 from £101.1m to £108.2m on turnover ahead by 10 per cent at £2.84bn.

Tobacco, by far the largest group operation, saw sales pass the £2bn mark and trading profits rise by £9.3m to £83.5m. Volume sales of Gallaher's cigarettes manufactured in the UK increased by 1 per cent.

Mr S. G. Cameron, chairman of this subsidiary of American Brands, says that the benefit from a good domestic market share and a strong rise in exports more than offset a decline in the total UK market. Benson & Hedges Special Filter and Silk Cut, he says, continued to dominate their sectors.

Cigar sales in the UK were also higher, with Hamlet further strengthening its position as market leader. While pipe and roll-your-own tobacco markets were depressed, Mr Cameron says that market share increased, with Mellow Virginia and Clan both strong.

Overseas tobacco companies were "just ahead" of 1983. A better performance by Gallaher (Dublin) more than offset lower profits from Niemeyer, which was affected by price competition in West Germany.

Total group tobacco sales, excluding VAT, for the year amounted to £2.09bn compared with £1.94bn.

Gallaher's optical operations contributed £14m to trading profits. This compares with £21.2m, which included four years of back payments from the DHSS.

Mr Cameron points out that if the back payments were excluded then Gallaher's overall pre-tax profit increase for 1984 would have been 16 per cent.

Looking ahead, Mr Cameron says that Gallaher has entered 1985 with a wider and stronger spread of activities both at home and overseas. He adds that the company is well positioned to make further progress provided that domestic taxation on tobacco products is held at a "realistic level."

Access Satellite over £1m at midway

IN ITS first results as a USM-quoted concern Access Satellite International has turned in pre-tax profits of £1.16m for the six months to October 31 1984, and is to pay a net interim dividend of 1p per share, an increase of 50 per cent over the prospectus forecast.

No half-year comparative figures are reported, but the midway taxable figure is only £220,000 short of the last full year return. Mr Martin Wardman, the chairman, says that trading in the current half is progressing well and he looks to the future with confidence.

Turnover for the half-year came to £2.65m, against £3.23m for the 12-month period. The principal business of the group is the manufacture, sale and hire of work platforms for the construction and civil engineering industries. It changed its name from *Morland Securities* by way of a reverse takeover of that company last October.

The interim tax charge came to £517,000, leaving net profits at £643,000 or 4.47p per share. Retained earnings were £484,000.

In the prospectus forecast the directors stated that they would recommend total dividends of 2p per share for the current year, payable in a ratio of 1:2 between interim and final. They then regarded prospectus as "excellent."

In the U.S. sales are going well and the network of local distributors there is expected to increase substantially during 1985. *The group is currently* selling through distributors in Delaware, Georgia, Florida, Massachusetts, North Carolina and Texas.

Winding up orders for 114 companies

Compulsory winding up orders against 114 companies were made in the High Court. They were:

P.A.P. Window Systems, Moughan and Macken, Kennetside Plastics, Ernborough, Anton Freight, D. Rogers & Sons (Transport), Red Rose Building Contractors, Jaton Metals and Burdett Wastepaper Co.

Oakglen Haulage, Crown Distillers, Mark John, Fast Foods (St Ives), Dataeach, Custom Building Contractors (East Midlands), Intogold, International Safety Services and Votelynn.

Melton Printers, Norfolk and Norwich Aero Club, Totforest, Beauretta (Anglesey), Monobuild (Construction Services), Mesbberry, Sound Reproducing Equipments (Bristol) and Creative Control.

Moloney Construction, Farronbay, Parkway Forwarding, Crownmead, Asian Publishing, Capitol Exporters (Chemicals) and Anglo-Scot Meat Packers.

Industrial Services (Liverpool), Strongwight, Chenalbond Enterprises, Classic Dry Cleaners, Factorbond, Frox Day, G. B. Hirst Tankers (1982), Holour and Inter-Clean.

Cycleglen, Great Western Garages, Carlisle Kitchen Centre, Steels Engineering, C. H. Jones (W'ton), Benson Lifts, Amex Fashions, Cobmanx Enterprises, Exportech (Middle East), Euro-projects and Fezwise.

Grant Eastwood, Meragold, W. K. Ritchie, Lindaville, Mystery Studios, Randworth, Medrange, Kleenaway Industrial Chemicals, Baldock and Pearce, Beeclass, Dixon Industrial Roofing, Holden and Hollinx, Industrial Supplies (Eastern) and L.H.L. Doorfittings.

Mildberry, Manorcrown, Stylevode, R. G. Jenkins, Wheeltrack Services, Treso, Dave Wells Car Sales (Bournemouth) and Graico Industrial Supplies.

Priory Contractors, Ryburn Electrical Company, Vintage Steak Bar (Doncaster), Brockhouse Construction Company, Happy Days Agency and Promotions, Thompson Leisure, Sussex Ballistics and Sedaleport.

Libra Wines, Phillip Coote Construction, Re-Tain, Churchill Blood Stock, FT Engineering, Sentry Home Security Company, Flipgate, Energy Bond Marketing, Beaumagic and Corporate Graphics.

GMT Co, Midasian, Developments and Components International (UK), Svannafield, Martipare, Hurd Textiles, Cheltenham Business Consultancy, Cheslyn Upholstery, Mikes Sheds (1981) and SK Hand Tools Manchester.

Western Gloves (Manufacturing), William Newton & Sons, Bifell Quarries, Stardell, United Trading Corporation, Prizepress, Thorne Brothers Builders-Decorators, Spanfour, Woodrush, L.S.C. Engineering Contractors (Luton) and C. Plater & Son.

Equitable Life maintains bonus rates

Equitable Life Assurance Society, the oldest mutual life company in the world and originators of with-profits life contracts, is maintaining its interim bonus rates for 1985 on life and pensions contracts.

The society is one of the few *life companies not on an annual* bonus system. It operates on a three-year period for full bonus declarations, the next declaration being at the end of this year.

Thus on assurances, the rate remains at £5.25 per cent of the sum assured and £3.50 per cent of attaching bonuses, while on individual pensions it remains at £8.50 per cent of the basic benefit and attaching bonuses.

However, the society is increasing its terminal bonus rates for claims in 1985. On assurances, the maximum rate is lifted from 37½ per cent to 45 per cent of the basic benefit and attaching bonuses, while on pensions the maximum rate is raised from 38½ per cent to 48 per cent.

Yearlings at 13¼%

The interest rate for this week's issue of local authority bonds is 13¼ per cent, up 1[illegible] of a percentage point, and compares with 9[illegible] per cent a year ago. The bonds are issued at par and are redeemable on February 5 1986.

Microgen at £3m on Eurocom contribution

A LEAP in pre-tax profits from £926,000 to £3.02m by Microgen *Holdings for* the year to the end of October 1984 follows its acquisition last autumn of Eurocom Data Holdings, formerly the National Westminster Bank's computer output to microfilm subsidiary. A final dividend of 7p raises the total from 6p to 10p, and is 1p ahead of the payout forecast at the time of the acquisition.

A one-for-one scrip is also proposed on the 10p shares, which will then be split into two 5p shares. Shareholders will therefore hold four 5p shares in place of each 10p share held when the bonus issue is made.

Earnings per share are shown as 34.1p (14.8p) before extraordinary charges.

The directors point out that Eurocom's results for the year have "exceeded expectations." Figures for 1984 include Eurocom, and figures for 1983 are for Microgen alone.

They say that Microgen, without Eurocom, was already budget*ing for a substantial increase in* sales and profits for the current year. With the added strength which this acquisition brings to the group, the directors of Microgen, which converts computer print-outs into microfilm and microfiche, say that they look *forward* with confidence to another year of growth.

Turnover grew from £3.51m to £18.23m.

Microgen's computer output microfilm business continued to benefit from growing demand *and from major* productivity drives referred to last year. The sales team produced results well in excess of targets; this has added to costs for 1984 whereas the major benefit to turnover and profit will be in 1985.

At Systemset, computerised phototypesetter, the emphasis was on securing a platform for sustained future growth in computer aided phototypesetting, but record profits were achieved.

Excluding the contribution from Eurocom, group turnover was £5.63m and pre-tax profits were £1.63m. Earnings per share would have been 26.1p.

Shares issued for Eurocom will not qualify for the final payment.

For the enlarged group, profits were subject to tax of £1.48m (£491,000) and there were minorities this time of £103,000. Extraordinary charges rose from £152,000 to £525,000, comprising acquisition and listing costs and provision for deferred tax. Last year Microgen moved from the USM to a full listing.

MINING NEWS

South African gold production continues on an upward trend

BY GEORGE MILLING-STANLEY

THE UPTURN in South African gold production which began three years ago continued in 1984 with output rising to 21.88m oz, according to figures released yesterday by the Chamber of Mines of South Africa.

This represents a slight increase on the previous year's production of 21.85m oz, although output from the world's most important source of gold is still running well below the peak year of 1970, when 1,000.4 tonnes were produced. Last year's production from South Africa was equivalent to 680.5 tonnes.

The latest figure is, however, unlikely to have much impact on world production statistics, *even though South Africa* customarily accounts for something like three quarters of mine supply from the non-Communist world, and just under 60 per cent of total world output.

Much more significant in terms of world production statistics will be the output from a number of new mines, notably **Ok Tedi** in Papua New Guinea, the **McLaughlin** project in California and **Kidston** in Australia.

Last year's production is largely a function of the trend discernible in 1984's quarterly reports from the South African mines of boosting mill throughput in response to the steady fall throughout the year in the gold price as expressed in dollars. Where possible, the mines also tended to concentrate production in areas containing higher-grade ores, in an attempt to maintain dollar receipts.

The increased production has little relevance for the financial results of the South African mines, which prepare their accounts in terms of the local currency. The South African rand depreciated steadily during 1984 against the U.S. dollar, the currency in which gold is priced throughout the world, with the result that the mines have for the most part made record profits in local currency terms, in spite of the weakness of the gold price in U.S. dollars.

Eastern Pet. bids for Samantha

AUSTRALIA'S **Eastern Petroleum** has made its long-awaited move to secure control of the promising **Horseshoe Lights** gold *mine in the Meekatharra area of* Western Australia by making a takeover offer for the 80 per cent of **Samantha Exploration** it does not already own.

The London share market, which had been expecting an offer for some time, remained unmoved last night, leaving both share prices unchanged with Samantha at 54p and Eastern at 24p.

The terms of the offer are two shares of Eastern for each Samantha share, valuing the latter company at A$17.3m (£12.7m). This compares with the recent one-for-three offer from Barrack Mines, which valued Samantha at A$13m.

As both bids are well below the market value of Samantha's shares, they seem to have been designed principally to circumvent the restriction in Australian company law which limits a company to a 20 per cent interest in another company unless it mounts a full takeover offer. Once a full bid has been announced, a predator may raise his stake without limit through on-market purchases.

The main attraction of Samantha to both bidders is its 18.1 per cent interest in Horseshoe Lights. This holding represents the balance of power in the mine, with Barrack as operator holding 45.15 per cent and Eastern 36.5 per cent.

A degree of acrimony has developed between the two major partners, with the Eastern group claiming that it has not been allotted three seats to which it is entitled on the board of the joint venture company, Horseshoe Lights Gold.

After a lengthy period of negotiation, Eastern has clearly decided that securing a majority interest in the equity of the joint venture company is the only way of securing its aims.

Haynes profits double to £836,000

WITH STRONG sales from its 86 new titles, **Haynes Publishing** Group doubled its pre-tax profits from £417,000 to £836,000 in the six months to end-November 1984.

The directors of this Somerset-based group, the world's largest publisher of motoring books, have lifted the interim dividend from 3.5p to 4p, partly to reduce disparity and partly in recognition of "these good results." Last year a total of 12p was paid on profits of £1.37m.

Sales increased by £955,000 to £4.55m, giving a trading profit of £782,000 (£376,000). Some £615,000 (£315,000) of this came from the UK market, with £167,000 (£61,000) contributed by the U.S.

Mr Haynes, group chairman, reports that sales for the second half are running ahead of budget. *As well as* the new books, those on the backlist also continue to sell well, and, with costs still under tight control he believes that the results for the second half will show further improvement over those for the first.

The new £0.5m five-colour press is now operational, and the chairman says that the company is continuing its investment programme by installing new phototypesetting equipment based on laser technology.

Its policy is to replace machinery with the most up-to-date products when it calculates that a significant benefit will consequently arise.

The pre-tax figure includes rent received of £32,000 (£26,000) and interest of £22,000 (£16,000). There was no interest paid (£1,000).

The group, which has close company status, paid £311,000 (£164,000) in UK tax and £74,000 (£21,000) in the U.S.

Leda Investment

Leda Investment Trust's net asset value per 5p capital share stood at 170.1p at the end of 1984. This compares with 136p shown a year previously.

Net revenue for the year amounted to £291,341, against £242,644. Gross revenue came to £490,847 (£435,574).

The second interim dividend is being raised from 3.01p to 3.5p, making a total of 5.6p (5.04p). Earnings per 20p income share were stated at 5.85p (4.87p).

RESOURCES REVIEW

Gas glut set to soften Algeria's hard line

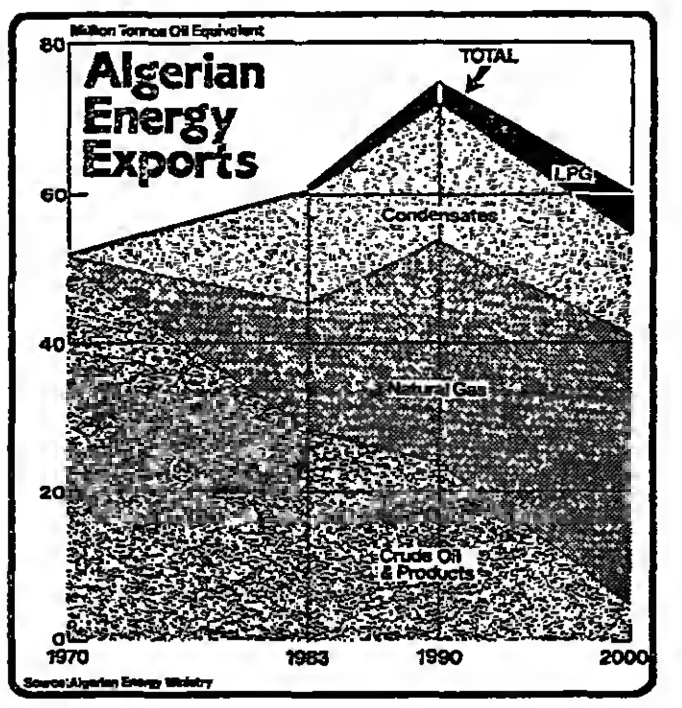
By Francis Ghiles and James Ball

AS ALGERIA shifts from being an oil exporter with a marginal amount of natural gas to being a gas exporter with a marginal amount of oil, Sonatrach, the country's state oil and gas monopoly, faces difficult decisions.

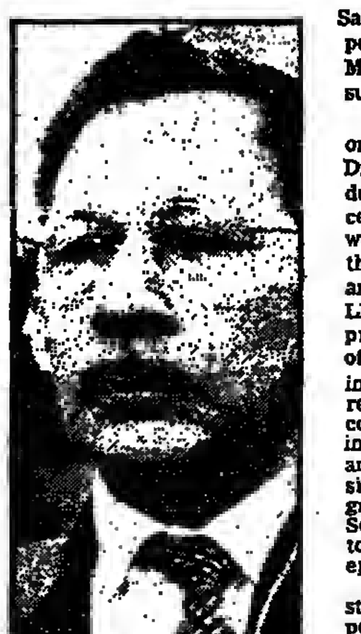
In the past, Sonatrach has behaved, even when selling gas, like a militant oil exporter, insisting upon both the highest possible oil price and a direct link between the price of oil and gas. In 1981 and 1982, Algeria scored famous pricing victories over utilities in Belgium, France and Italy.

Today, however, the European gas glut has undermined its ability to sell gas on its own terms. In response, Algeria has shown signs of softening its dogmatic marketing principles, fuelling speculation among gas buyers that the world's fourth largest gas power is shaping up for a renewed assault upon U.S. and European markets.

Algerian oil reserves will run out before the end of the century, but the country's



Graham Lever



Mr Belkacem Nabi, Algeria's *Energy Minister*

Signs of a more flexible approach

natural gas reserves of almost 3,000bn cubic metres are exceeded only by those of the Soviet Union, the U.S. and Iran.

Signs of a more flexible approach became apparent in 1983 and 1984 as initial volumes of gas exports to Belgium and France were cut. The original contract with Belgium's Distrigaz, from 5bn cubic metres a year over 20 years at a price of $3.95 per million BTUs, was reduced to $1.5bn in 1983-84, although it has since risen again. Gaz de France, meanwhile, persuaded the Algerians to agree a temporary reduction of French gas purchases last summer. Such flexibility in offtake is normal for Gasunie, the Dutch gas utility, but almost unheard of for the Algerians.

Although Algerian officials have never commented publicly on these matters—the formal position remains one of astute adherence to a tough and inflexible marketing posture—the case for pragmatism is a strong one. *If it stands on* principle, Algeria could lose its 11 per cent share of the West European gas market when its major contracts start to expire at the end of this decade. Algeria's position on gas prices *is not* wholly unlike that of Opec oil producers, who would like a high, official price structure, but cannot afford it *because of their need to main*tain export earnings.

The Algerian picture, however, is not as simple as this, partly because unlike oil, gas tends to be traded in large, long-term *contracts and* so to become an integral part of the country's trade and diplomatic relations. In the case of Spain, for example, Algeria has been able to drive a much harder bargain than with some other customers, because Algeria bought $1bn of Spanish goods in 1983. Last year, these were cut by one-third during a dispute in which Enagas, the state utility, refused to honour a "take or pay" clause in its gas contract.

Towards the U.S. companies, El Paso and Trunkline, whose large contracts were respectively cancelled and suspended in 1981 and 1983, Algeria has been able to exert little diplomatic leverage, although it has tried to work through the U.S. banks which loaned money for the construction of LNG processing facilities.

With Japan, which is interested in Algerian liquid petroleum gas, the position is somewhere in between. Negotiations about Algerian exports of LPG to Japan have dragged on for months. Japan would like to buy LPG, but not at any price, and the country can manage without supplies from Algeria. But Japan would like to maintain links with Sonatrach, if only because Japanese companies have carved out for themselves a lucrative niche in what is today Africa's second largest import market after South Africa. Algeria is also the third largest borrower of *Japan Exim Bank funds in the* world after Russia and China.

Japan takes more than half of its LPG imports from Saudi Arabia and is keen to broaden its supply base. Saudi LPG deliveries are also susceptible to interruptions related to Opec oil production quotas.

It depends what value is placed upon greater diversity of supply. Freight rates already boost Algerian LPG prices to Japan at least $10-$15 per tonne beyond those from the Gulf. There is also a risk that Japanese buyers already critical of even the $206 a tonne fob Saudi official price, may turn to potentially even cheaper Malaysian and Indonesian LPG supplies.

Proponents of the hard line on prices abound in Algiers. Dr Yusef Yusufi, Sonatrach's deputy general manager, recently suggested that Sonatrach would rather reinject LPG into the ground than sell it below an acceptable market price. LPG and condensates are byproducts during the extraction of oil and natural gas. To reinject it into the underground reservoirs requires both the cost of separating it and reinjecting it to be incurred over and over again as it is impossible to separate it underground. But at the same time, Sonatrach last year sold 2m tonnes of LPG to Europe—apparently at market prices.

Sonatrach's marketing strategy will be of critical importance to Algeria's economic future. Exports of gas in LNG form and LPG, most of which is sold to Europe, accounted for about 60 per cent of Sonatrach's $13bn foreign income last year. That compares with 4 per cent in 1970 and projections of over 90 per cent by 1990.

The state company's handling of the large U.S. market will be of particular importance. Will the company agree to play, as it has with Distrigas of Boston, the role of a "peak shaving" supplier—supplying the gas mostly during the winter when demand in the Northern Hemisphere is at its peak?

Because the LNG processing facilities in Arzew and Skikda are already working below capacity—by a factor of one third overall—and because some Algerian LNG carriers are in mothballs, there are added costs in holding out for a premium price in the U.S. market.

But market conditions in the U.S. do not favour such premia. The wellhead price of newly contacted domestic gas is around $3 per million BtUs, almost a dollar below the Algerian wellhead price before liquefaction. Canada has recently cut its export prices to $3.15 to revive the flagging volume of its own contracts.

Europe too is a buyer's market, as Norway has discovered in its negotiations with British Gas over the Sleipner Field. With Europe oversupplied until the mid-1990s, import customers are putting pressure on their suppliers to be more flexible on prices and delivery. As the current league leaders in European gas marketing, the Dutch and the Russians have shown, compliance means more business in the future. Algeria is therefore unable simply to sit tight until its current contracts run out.

The other complicating factor in the Algeria gas equation is the Trans-Mediterranean pipeline, running in 1981 between Algeria and northern Italy. Ready for first gas in 1981, it did not, because of disagreements over prices, start to carry gas until August 1983.

The pipeline provides both the best and the cheapest means of transporting Algerian gas. Algerian gas comes out of the wells at such high pressure that no compressor stations are needed in Algeria to push gas over 400 miles to the Tunisian border.

But Algeria, along with some of its customers, is saddled with a huge investment in

It would be unwise to count Algeria out

LNG facilities, in spite of the cancellation in 1980 of a proposed phase three of the country's LNG plant.

But in the end, the existence of Algeria's surplus LNG plant could provide the key to its future marketing plans. Unlike Norway, whose ability to maintain gas exports depends upon heavy investment in new offshore fields, Algeria has both the gas and the production and processing facilities available to sell additional gas, arguably at marginal cost, if it is prepared to sacrifice its pricing principles.

The evidence of Sonatrach's recent behaviour, if not the public pronouncements of Algerian ministers and officials, is that Algeria will become increasingly pragmatic as, in a sense, it must do when gas is trading at a 30 per cent discount to oil and oil prices are falling.

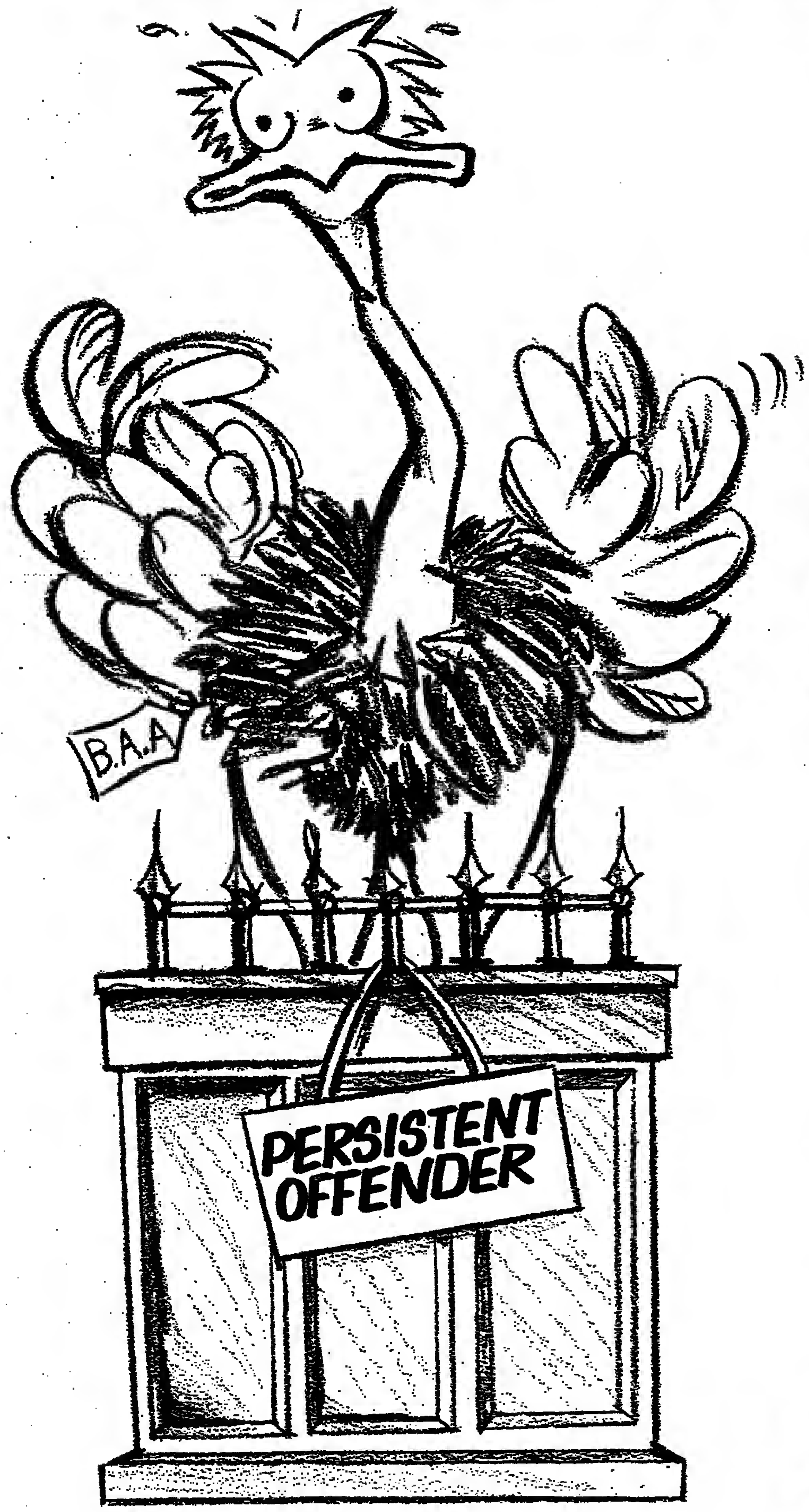
Certainly other gas producers, who are inclined to imagine the future of the European and U.S. markets without a significant Algerian presence, would be unwise to count Algeria out.

ALGERIAN GAS EXPORT CONTRACTS

Customer	Volume (bn cu mtrs./yr)	Expiry Date
Gaz de France	0.5	1990
Gaz de France	3.5	1992
Distrigas (U.S.)	1.2	1998
Enagas (Spain)	†4.5	1997
Gaz de France	5.15	2002
Distrigaz (Belgium)	2.5	2002
Panhandle (U.S.)	suspended	2002
Transmed pipeline		
Snam (Italy)	‡12.36	2008

† Enagas has consistently taken only about a third of its contracted obligation and the matter is under arbitration. ‡ Maximum level planned, in 1984 roughly half of this level was reached.

STANSTED REVISITED



This is the third time that the British Airports Authority have tried to foist Stansted upon the public.

On two previous occasions they have failed. But at the third attempt, and after the expenditure of millions of pounds and even more millions of words, their persistence has brought them a favourable report from the Public Inquiry Inspector.

The development of Stansted Airport is now the subject of an adjournment debate.

It is a vital opportunity for M.P.'s of all parties to show how they stand on issues of crucial importance to millions of their constituents.

NON-PARTY PRINCIPLES

The basic issues are unchanged since 1981.

✻ Should £1,000 million be spent on duplicating facilities which are already provided at the regional airports?

✻ Is it right to force all international passengers, willy-nilly, through the South East?

✻ Is it right to ignore the wishes of the present inhabitants of Stansted?

✻ A developed Stansted would severely degrade international services from the regional airports. Does this square with the view of the Government White Paper recognising airports as prime centres of economic recovery within the regions?

✻ Why should investment and employment be taken away from the severely disadvantaged regions and forced upon one of the very few remaining places without an unemployment problem?

All these are questions of common sense and natural justice – not of party politics.

Since 1981 the case against Stansted has been put by the North of England Regional Consortium on behalf of millions of people of all political persuasions and of none, from all sections of the public and from every branch of commerce and industry.

ALL WE ASK IS FOR YOU TO MAKE YOUR OPINION KNOWN WHEN YOU HAVE THE OPPORTUNITY.

The Consortium includes:
the County Councils of Cheshire, Cleveland, Cumbria, Derbyshire, Durham, Greater Manchester, Humberside, Lancashire, Merseyside, Northumberland, Tyne and Wear, South Yorkshire and West Yorkshire

The City Councils of Carlisle, Leeds, Liverpool, Manchester, Newcastle and Sheffield.

The Airport Authorities of Blackpool, Carlisle, Humberside, Leeds/Bradford, Liverpool, Manchester, Newcastle and Teesside.

If you would like to receive the detailed and quantifiable facts behind this announcement, please write to: North of England Regional Consortium, PO Box 532, Town Hall, Manchester M60 2LA.

the case for the
NORTH
North of England Regional Consortium

TECHNOLOGY

EDITED BY ALAN CANE

FIRM BUSINESS APPLICATIONS ARE APPEARING FOR OPTICAL STORAGE

Laser disk stores newspaper's past

BY GEOFFREY CHARLISH

THE PHILIPS optical disk storage system, Megadoc, is now at three pilot sites in Europe, including a newspaper and a building society.

Although a dozen electronics majors bave either revealed, or are developing, optical disk systems, announcements of installations bave been few and far between. The object of these companies efforts is to produce systems that can store large quantities of documents at very low cost and compete with conventional microfilm and microfiche.

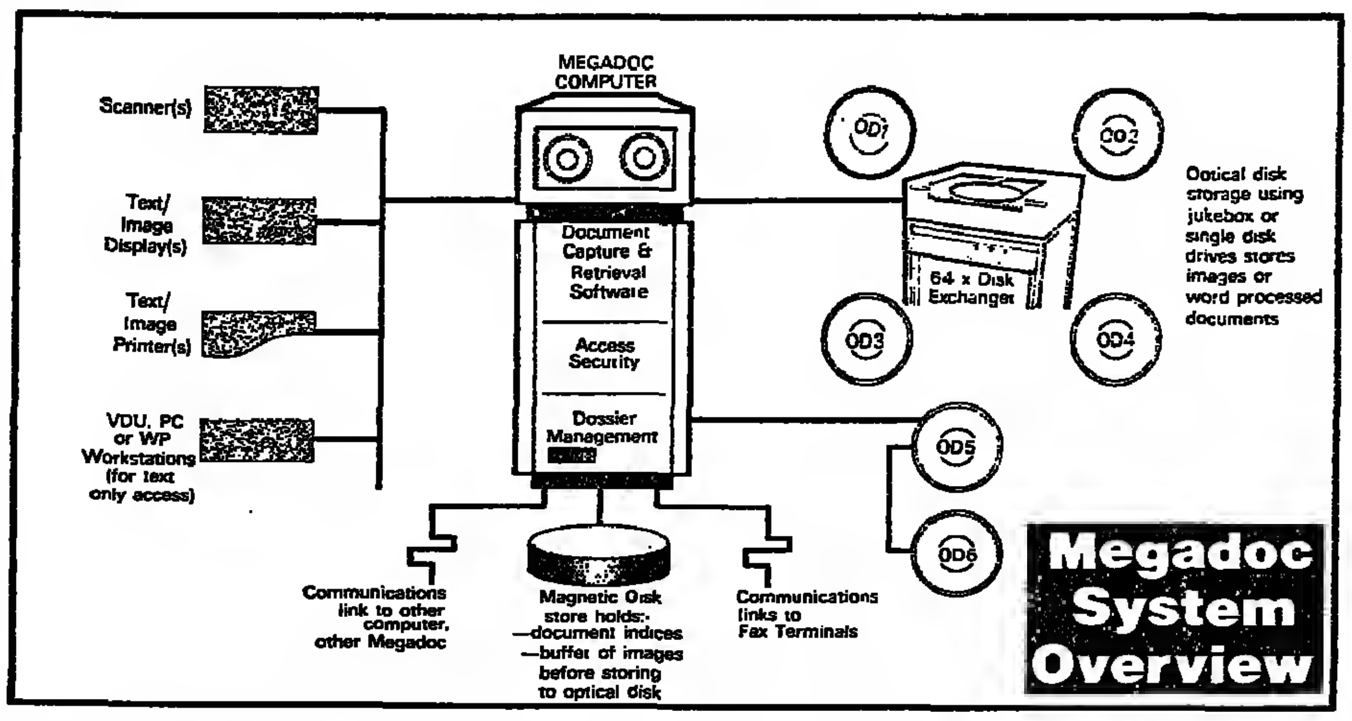
For example, the U.S. *Library of Congress* and General Electric in the U.S. have integrated automation systems using Thomson-CSF disk drives. Recently Pergamon revealed it will be using Drexler technology for electronic publishing. Ciba Geigy (via Ilford in the UK) and the Blue Cross insurance group in the U.S. bave also been licensed by Drexler.

The pioneer installation for Philin's Megadoc is at Gruner and Jahr, publisher of Die Zeit and Stern magazine. Until now, microfiche (postcard - sized pieces of film bolding about 100 page images) have been used for storing Press clippings for jonrnalists' use. The publisher bas installed two scanners recording images on a pair of one gigabyte (one thousand million character) optical disk drives.

> The object is to produce systems that can store large quantities of documents at very low cost

Basically, *the scanners* send a tiny spot of light across the page in fine horizontal lines one under another. At eacb moment, the amount of reflected light is registered by a light sensitive device and given an electrical "on-off" digital code which is recorded on the disk.

Scanning rates are from 10 to 18 A4 pages a minute, but Philips plans to raise this to 50 with automatic feed.



At Die Zeit, past newspaper pages are bein gscanned and the disks transferred to the journalists' access system. New pages are added daily.

Each access station has an IBM terminal that works with the existing IBM mainframe for indexing, and a second high definition terminal on wbicb extracted *images* are *displayed*. Ultimately there will be four image displays, two image printers and a file of 4m images equipped with a "juke box" disk handler able to access up to 128 gigabytes of storage.

Holland's first system, at the Zwolle office of the Dutcb Land Registry, runs on a Phillps P4000 office automation system with document indexing and image management software. It stores coples of deeds of sala and mortgages for two Dutcb municipalities.

In Münster, Landes Bau Sparkasse, a German building society with 2.5m account bolders, previously used COM (computer output on microfilm) to store copies of computer - generated outgoing letters. COM is a technology wblch takes text and data straight from a computer and "writes" it on to microfiche, which are accessed via enlarging viewer/printers.

In the new system, LBS Münster continues to index the material on its IBM mainframe, but the magnetic tape bolding the text goes to the optical system instead of the COM machine. From the P4000 Megadoc workstation, documents can be extracted from the optical store, viewed within a few seconds, and printed out. Some 10 gigabytes of information will be stored annually.

The next step for the building society will be to add scanners to bandle incoming mail. The same optical disks will then deal with both digitised page images and keyed text. It ls expected that the building society's staff will be able *to* handle customer queries much more efficiently.

In optical recording, tiny "pits" are burned by an extremely fine laser beam on to a rotating tellurium-surfaced disk, rather like a gramopbone record. The "groove" of pits forms digital codes representing the small scanned elements of an image. To "play" the record, another laser tracks the microscopic pits and by reflection a pbotosensitive diode registers the codes. These are then turned back into image elements and can be re-constituted on a workstation screen.

Philips says the life of the tellurium surface "appears to be about 30 years, or 15 times that for the equivalent magnetic *disc—which needs* to *be* re-written every two years at least."

In addition, since the beads are positioned several centimetres from the surface, exchangeable disk design is straightforward. There is no sensitivity to dust, so disks can be bandled and stored in a normal office environment.

Optical disks allow very dense recording: Philips produces double-sided 300 mm (12 incb) diameter platters holding two gigabytes of text. This is roughly 2,000,000,000 cbaracters, which practice means tbat some 300,000 pages of text can be recorded, says Philips.

Storage cost ls, therefore, very low. In terms of the medium alone, the page cost ls a mere 0.004p. But in addition, the hardware cost is kept down because mechanical tolerances are not critical—optical methods are used to keep the laser beam on course. Fbilips says the cost of the drive itself is no more than that of a magnetic disk system which

> In optical recording, tiny pits are burned by a fine laser beam on to a rotating disk

bas only 8 per cent of the capacity.

Megadoc is evolving as part of the P4000 office system, with prices from £80,000. Text, computer-generated data, pictures and indexing will soon be handled on a single higb definition screen.

In addition, the company has chosen the CCITT Group 3 facsimlle standard for digital storage, allowing images to be easily sent and recelved from remote sltes over the fax network. Phllips Business Systems ls on 0206 575115.

Computers

Speeding up data access

MODERN computers execute millions of instructions a second: the electro-mechanical magnetic disk systems on which they depend for their information operate in thousands of a second.

There ls, therefore, a performance bottleneck in the system, a little like an accountant with an electronic calculator sending his secretary separately to the files for every figure needed in a calculation.

A small American company, U.S. Design Corporation of Lanham, Maryland, has an answer to this problem which is achieving critical acclaim.

John Ball, of stockbroker Paine, Webber notes for example: "No existing disk subsystems are thought to match the level of performance of the Series VIP products. We believe the company may have a competitive lead of perhaps 12-24 months."

U.S. Design calls its solution Virtual Information Processing. It is based in studies which show that roughly 90 per cent of the time needed for a disk system to access requested information is spent in positioning the read/write head over the appropriate track on the disc.

Furthermore, only 5 per cent of the information on the disc is accessed for close to 95 per cent of the time.

So U.S. Design built an Intelligent disk controller capable of handling up to four Winchester drives and a cartridge tape drive.

The "intelligence" in the controller enables it to analyse patterns of data use and remove the most frequently requested information—the 5 per cent previously identified—off the disk and into semiconductor memory built into the controller itself.

Access to that information is, therefore, virtually instantaneous. *U.S. Design uses two* more tricks. A way of predicting wbat information is likely to be asked for next and a method of maintaining the read/write head close to the most heavlly accessed information.

U.S. Design, with revenues of $8.4m in 1984, is still very small but the novelty and quallty of its approach should pay off in the next few years.

ALAN CANE

Components

Growth in circuits

SRI INTERNATIONAL, the high technology research and consultancy organisation, predicts that by the mid-1990s, the market for gallium arsenide semiconductors will have reached $10bn—which was about the value of silicon devices sold in 1982.

SRI's Mr Kenneth Taylor believes the growth will have tremendous impact on companies that use and make silicon based products and on those that supply equipment, components and materials to the semiconductor industry.

However, Mr Gordon England, executive director of SRI for Europe, Africa and the Middle East, takes the view that Europe may not take quite the back seat it took in the silicon world.

SRI is currently conducting a study designed to clarify the issues and opportunities surrounding this new market for the period 1985 to 1995.

Manufacturing

Integrated automation

LOGICA, the UK systems and software house, in conjunction with several European companies, including Matra and Olivetti, is to develop a computer-aided manufacturing system (CIM) at the FN (Fabrique National Herstal) plant in Belgium.

The consortium project is valued at about £6m, and will involve 100 man-years of effort over a five-year period.

The objective of CIM — a technique still in its infancy —is to unite the various computer and control systems found in factories and which have developed independently in isolated "islands of automation" over the years.

At FN, the system will automate procedures in the precision machine shop, including planning, production scheduling, robotics control, transport, machining and assembly.

An open computer architecture is to be used, allowing expansion via different manufacturers' equipment, in line with defined standards.

Adhesives

Sticky robots

A RECURRING problem in industry — training operators to extrude adhesives from dispensers over complex paths, and then expecting them to do the job consistently over and over again — has been solved, it is claimed, by the Crantech Polar robot.

Developed and produced by Crantech Robotics Industrial Systems of London, the machine costs less than £10,000, and can deal rapidly and efficiently with the intricate component profiles found in sealant and liquid gasket application, and in other industrial processes. The developers believe the price and performance of the unit brings robotics within the grasp of even the smaller manufacturer. Payback can be achieved within months, says the company.

Research

Materials analysis

THE LOS ALAMOS research laboratory in the U.S. has developed a novel type of laser microprobe which is able to produce sensitive analysis of blood, serum and other biomedical samples.

The microprobe combines a well established diagnostic technique called atomic emission spectroscopy with laser technology to analyse a sample's trace elements. When hit by a laser beam trace element atoms emit unique signatures of light called spectral lines.

The laboratory has already used the system to detect sodium and potassium in the product stream of a coal gasfier and investigations are being made to detect toxic substances in the atmosphere, though researchers believe the greatest potential is in biomechanical research.

SECTION III – INTERNATIONAL MARKETS

FINANCIAL TIMES

Wednesday January 30 1985

UK unveils a framework for investor protection, Page 26

WALL STREET

Heads down awaiting funding plan

INVESTORS in New York financial markets kept their heads down yesterday, awaiting today's disclosure of the U.S. Treasury's funding requirements for the next quarter. Short-term rates rose smartly behind a jump in the federal funds rate and the stock market tried to rally quickly from a dull start, *writes Terry Byland in New York.*

The Dow Jones industrial average was up 14.79 at 1,292.62 at the close.

The Treasury is expected to announce this morning plans to auction around $17.75bn in federal securities early next month. Maturities are likely to range through three, 10 and 30 years, and will test the strength of the bond market's recovery, on which the dramatic rise in stock prices has been based.

In the stock market turnover remained brisk and prices steadied as bonds rallied. Profit-taking in airline stocks brought a sharp dip in the Dow transportation average. Among the domestic carriers facing renewed price competition, United at $45⅞ lost $1⅛ and Delta, at $43½, dropped $1½. American fell $⅝ to $37⅞.

IBM, announcing two new products, shaded $¼ to lower $134⅞ and Honeywell $¼ to $61.

Commodore International tumbled $1⅞ to $12⅜ after disclosing a 94 per cent slump in profits in the December quarter. Apple Computer fell $¼ to $30.

Speculative issues in centre stage included ABC, the television network, $⅞ down at $64¾, on the absence of a bidder. The collapse of the $1bn bid proposal left *Northwest Industries* $⅞ down at $49⅞. Philips Petroleum, with its restructuring plan now meeting opposition on Wall Street, dipped $⅜ to $46⅝.

General Mills, however, bounded ahead by $4½ to $54¾ in heavy turnover after brokerage analysts took a favourable view of plans to sell its toy and fashion subsidiaries.

AT&T again topped the active list, easing a further $⅛ to $20⅝ as results were digested. GTE, the big private telephone operator, shed $¼ to $43⅜ on lower profits while Pacific Telesis, one of the new ex-Bell companies, was $⅛ up at $69⅝, also on trading news.

Prominent in the reporting list was U.S. Steel, which eased $⅛ to $27¾ on its latest trading news.

In pharmaceuticals, Warner-Lambert lost $1⅛ to $36⅛ and Schering-Plough at $37 shed ⅜, both on profits news.

Also lower on trading announcements were Maytag, $⅜ off at $48⅛, and Reichold Chemical $¼ off at $34¾. Despite a dividend increase, American Brands dipped $¼ to $64⅞. Higher profits from Brush Wellman failed to satisfy the market, and the stock fell $1⅜ to $38.

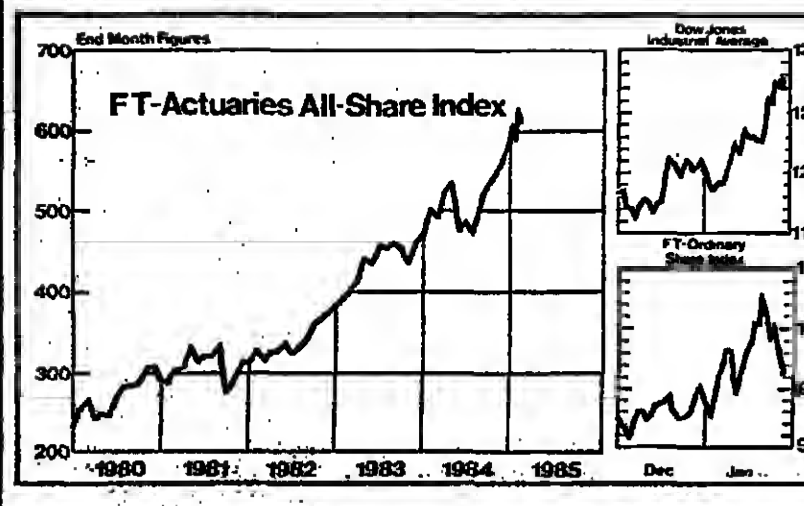
In a dull banking sector, BankAmerica gave up $⅛ to $19, with the market wary of the $37m write-off on mortgage securities-related business.

In the credit markets Federal Reserve policy remained a point of discussion. Mr Preston Martin, Fed vice-chairman, firmly quashed suggestions that he had changed his ground. "I certainly do not favour tighter credit," he said.

Federal funds jumped to 8 11/16 per cent, before the Fed gave a clearly sympathetic signal by arranging overnight system repurchases. While not a change in policy, the higher rate may have been a cautionary flag for the market ahead of the Treasury funding.

Bonds edged forward after recouping early falls. This week's lacklustre performance by bonds indicates worries that the federal funding could force yields higher. Dr Henry Kaufman, chief economist at Salomon Bros, reiterated his prediction that rates will climb by the end of the first quarter and that long bond yields could top 13 per cent by the year end – current yields are just over 11 per cent.

KEY MARKET MONITORS



STOCK MARKET INDICES

	Jan 29	Previous	Year ago
NEW YORK			
DJ Industrials	1,292.62	1,277.83	1,230.0
DJ Transport	614.37	607.17	567.15
DJ Utilities	148.90	148.39	132.66
S&P Composite	179.19	177.39	163.94
LONDON			
FT Ord	951.2	977.9	831.4
FT-SE 100	1,249.3	1,265.8	1,075.9
FT-A All-share	601.35	608.52	501.36
FT-A 500	657.33	666.55	535.81
FT Gold mines	446.1	440.3	543.8
FT-A Long gilt	11.03	10.99	10.14
TOKYO			
Nikkei-Dow	11,843.07	11,798.86	10,180.9
Tokyo SE	922.34	919.23	773.17
AUSTRALIA			
All Ord.	758.1	754.8	765.7
Metals & Mins.	432.2	429.2	517.3
AUSTRIA			
Credit Aktien	59.18	58.69	55.63
BELGIUM			
Belgian SE	2,110.16	2,123.22	–
CANADA			
Toronto			
Metals & Mins	2,158.8*	2,153.3	2,337.0
Composite	2,692.9*	2,566.0	2,504.3
Montreal			
Portfolio	129.57*	129.31	121.78
DENMARK			
Copenhagen SE	170.18	171.37	221.43
FRANCE			
CAC Gen	195.6	196.0	170.1
Ind. Tendance	106.9	107.2	92.5
WEST GERMANY			
FAZ-Aktien	393.78	392.30	365.99
Commerzbank	1,147.2	1,141.5	1,082.2
HONG KONG			
Hang Seng	1,336.87	1,374.89	1,055.37
ITALY			
Banca Comm.	258.88	256.07	219.55
NETHERLANDS			
ANP-CBS Gen	192.2	194.9	175.5
ANP-CBS Ind	153.3	156.3	144.4
NORWAY			
Oslo SE	326.64	317.74	247.48
SINGAPORE			
Straits Times	816.36	794.64	1,051.57
SOUTH AFRICA			
Golds	914.7	925.4	809.0
Industrials	860.4	865.5	965.1
SPAIN			
Madrid SE	113.82	112.53	77.72
SWEDEN			
J&P	1,429.83	1,433.68	1,549.46
SWITZERLAND			
Swiss Bank Ind	412.2	411.2	380.7
WORLD	Jan 28	Prev	Year ago
Capital Int'l	194.4	194.7	185.2

GOLD (per ounce)

	Jan 29	Prev
London	$302.75	$298.00
Zürich	$303.15	$297.90
Paris (fixing)	$304.18	$298.99
Luxembourg	$303.50	$299.60
New York (Feb)	$301.80	$302.90

* Latest available figure

CURRENCIES

(London)	U.S. DOLLAR Jan 29	U.S. DOLLAR Previous	STERLING Jan 29	STERLING Previous
$	–	–	1.1145	1.111
DM	3.178	3.167	3.5425	3.5175
Yen	254.3	254.15	283.75	282.5
FFr	9.725	9.68	10.82	10.7625
SwFr	2.666	2.662	2.9725	2.9575
Guilder	3.588	3.58	4.00	3.98
Lira	1,953.0	1,951.0	2,178.0	2,167.0
BFr	63.45	63.35	70.75	70.4
C$	1.32665	1.32625	1.479	1.473

INTEREST RATES

	Jan 29	Prev
Euro-currencies (3-month offered rate)		
£	13⅞	14 1/16
SwFr	5⅜	5 7/16
DM	6	5 15/16
FFr	10⅞	10 11/16
FT London Interbank fixing (offered rate)		
3-month U.S.$	8 9/16	8 7/16
6-month U.S.$	8 13/16	8¾
U.S. Fed Funds	8 9/16	8⅜
U.S. 3-month CDs	8.2	8.1
U.S. 3-month T-bills	7.80	7.7

U.S BONDS

Treasury	Jan 29* Price	Jan 29* Yield	Prev Price	Prev Yield
9¾ 1987	99 29/32	9.79	99 29/32	9.79
11⅛ 1992	103 9/32	10.957	103 9/32	10.98
11⅝ 1994	103 9/32	11.09	103 9/32	11.09
11¾ 2014	104 31/32	11.151	104 21/32	11.20
Corporate				
AT & T				
10⅜ June 1990	96¾	11.20	96¾	11.20
3⅞ July 1990	75	10.00	75	10.00
8¾ May 2000	77⅞	12.00	77⅞	12.00
Xerox				
10⅞ March 1993	95¾	11.45	95¾	11.45
Diamond Shamrock				
10⅜ May 1993	95⅝	11.50	95⅝	11.50
Federated Dept Stores				
10⅜ May 2013	87	12.70	87	12.70
Abbot Lab				
11.80 Feb 2013	98¾	11.95	98¾	11.95
Alcoa				
12¼ Dec 2012	98¾	12.40	98¾	12.40

FINANCIAL FUTURES

CHICAGO	Latest	High	Low	Prev
U.S. Treasury Bonds (CBT) 8% 32nds of 100%				
March	73-07	73-11	73-01	73-14
U.S. Treasury Bills (IMM) $1m points of 100%				
March	92.05	92.07	92.03	92.11
Certificates of Deposit (IMM) $1m points of 100%				
March	91.47	91.50	91.45	91.56
LONDON				
Three-month Eurodollar $1m points of 100%				
March	91.18	91.20	91.13	91.27
20-year Notional Gilt £50,000 32nds of 100%				
March	102-08	102-16	101-15	101-22

COMMODITIES

(London)	Jan 29	Prev
Silver (spot fixing)	558.05p	534.20p
Copper (cash)	£1,267.50	£1,232.50
Coffee (Mar)	£2,368.50	£2,407.50
Oil (spot Arabian Light)	$27.60	$27.65

TOKYO

Speculatives fuel further advances

TRADING was brisk in Tokyo yesterday with the start of transactions for delivery in February, but investors sought mainly biotechnology issues and speculative leaders whose prices fluctuated rapidly, *writes Shigeo Nishiwaki of Jiji Press.*

Judging from the highly speculative nature of the purchases, few observers think the upward trend will continue.

The Nikkei-Dow market average advanced 44.21 to 11,843.07. Volume swelled to 583m shares from Monday's 358m, but issues posting losses still outpaced those with gains by 379 to 329, with 185 issues unchanged.

Kuraray, the busiest issue with 35.74m shares changing hands, led the upsurge of biotechnology-related stocks. It added Y30 to another record high of Y1,160. Fujisawa Pharmaceutical jumped Y50 to Y1,320, also an all-time high, with the second heaviest trading of 26.28m shares. Yamanouchi Pharmaceutical finished at Y3,570, up Y50, and Daiichi Seiyaku shot up Y230 to Y2,170. Mitsui Sugar, however, plunged Y45 to Y435 and Sankyo dropped Y20 to Y1,140.

Among speculative issues Nippon Gakki exceeded Y2,000 for the first time, gaining Y160 to Y2,030. It was the day's third most active issue with 18.31m shares traded.

Daiichi Chuo Kisen Kaisha, a shipping group that will inaugurate a Shanghai route next month, drew investor interest closing Y25 higher at Y283. Isuzu, which had signed a contract to export 40,000 trucks to China, rose Y17 to Y381.

Non-ferrous metals also became popular for the first time in many days. Sumitomo Metal Mining soared Y70 to Y1,350 and Dowa Mining Y63 to Y570, on drilling of promising gold seams and business diversification.

Blue chips lost popularity quickly as Wall Street registered only a moderate overnight rise. Sony shed Y20 to Y3,980 on small-lot selling, and Matsushita Electric Industrial and Honda Motor fell Y30 to Y1,560 and Y1,420 respectively.

Daiwa Securities said the weekly moving average price of the 10 most active stocks reached Y907 on Monday, approaching the all-time high of Y909 scored in October. As market participants began to think high-priced issues had risen too far, more observers expected investor-buying to shift to issues priced at Y500 or less.

On the bond market, the benchmark 7.3 per cent government bonds maturing in December 1993 traded at a yield of 6.475 per cent compared with Monday's 6.460 per cent. The yield on 7.5 per cent government bonds due in July 1993, however, dropped from 6.640 per cent to 6.610 per cent.

SINGAPORE

HEAVY short-covering fuelled a dramatic surge in Singapore with the Straits Times industrial index 21.74 higher at 816.36 after rising over 18 points on Monday. The last two sessions have thus erased most of the losses incurred in the past month.

Some diversion of British investment funds away from the currently weak Hong Kong market into Singapore was noted and helped to boost turnover to 21.5m shares, the highest for nearly six months.

Banks extended the gains made in the previous session with Malayan Banking adding 25 cents to S$6.05. OCBC scored a 20-cent rise to S$9.05 and DBS firmed 15 cents to S$8.10 ex-all.

Singapore Press jumped 30 cents to S$6.85, while Boustead rose 10 cents to S$1.66 and Genting settled 15 cents higher at S$5.30. Sime Darby's 7-cent advance took it to S$1.86.

The property sector was again singled out for heavy buying with most leading shares higher. Singapore Land surged 25 cents to S$3.16, a 45-cent rise in two days, while Selangor rose a further 12 cents to S$2.18. City Development, at S$1.21, ended the day 6 cents higher.

KL Kepong led a broadly firmer plantations sector with a 9-cent gain to S$2.47.

SWEDEN

Attempts to force the insiders out

THE Swedish Finance Ministry is expected to introduce draft legislation soon which will sharpen the rules governing insider trading on the Stockholm bourse and establish criminal penalties, including prison terms, for offenders, *writes David Brown in Stockholm.*

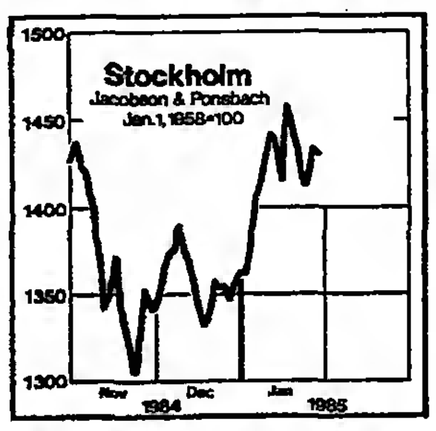
The move follows recent public controversy over several large deals where board members in major companies, including Skandia Insurance and the now-bankrupt Saléninvest shipping group, were able to avoid substantial losses by the early sale of personal shareholdings.

After five years of record growth the Stockholm bourse emerged last year as the eighth largest stock exchange in the world.

Legislation passed in 1971, however, remains limited to the requirement that board members and senior executives turn over information regarding shareholdings in their own company to the Bank Inspectorate.

Mr Sten Walberg, chief of the inspectorate, said: "If somebody makes an insider trade, he is simply required to report it. He might be embarrassed or ashamed but there is nothing that can be done to him."

In a confidential report to the Finance Ministry Mr Walberg detailed several large insider trades that took place last autumn to serve as examples when formulating the legislation.



The Skandia and Salén cases were among those mentioned, as were moves in advance of the successful bid last autumn by Bofors, the armaments manufacturer, to take over Kemanobel, Sweden's largest chemicals group.

It is though that the new law will restrict itself to the personal shareholdings of board members and top corporate executives. They will be forbidden to act on privileged information which is likely to affect the share price substantially, or in advance of takeover bids.

The law will not, however, forbid passing tips to outsiders and it is unclear whether lawyers, consultants and financial analysts are to be considered insiders.

According to Mr Benat Ryden, the newly-appointed chief of the stock exchange: "There is a danger that such a legislative solution will encourage people to do everything which is not explicitly forbidden, and will create the necessity of further steps.

"The traditionally small number of actors on our market has not thus far called for detailed legislation. Its recent internationalisation and the entry of many new players has meant we have recently been perhaps more influenced by the practices of, say, New York or London.

"In the process, some participants have acted irresponsibly and hurt the credibility of the exchange among the public and politicians."

Mr Ryden is particularly critical of the web of corporate cross ownerships that have been developed as a defence against hostile takeover bids.

The combination of Government exchange controls, a cash-rich corporate sector and the entry of a new breed of independent young financiers on to a traditionally closed market has resulted in a wave of major industrial takeovers that was particularly marked last year.

These changes have coincided with the relatively recent entry of private small savers on to the market. Today one in every four Swedes owns shares. These savers have had little chance to benefit from or defend their holdings against the massive shifts in the pattern of Swedish corporate ownership, says Mr Ryden. "The rules should be the same for all players."

Recognising a growing political sensitivity, the parliament moved last June to give the state majority control on the stock exchange board. The Government now appoints six of the 11 directors.

The Industry Department is understood to be on the verge of appointing a committee to investigate the impact of industrial cross-ownership. The committee will consider eliminating the current tax exemption enjoyed by companies on the dividends from holdings of 25 per cent or above in other companies.

"These rules were originally intended to encourage structural co-operation," says Mr Ryden. "Some people are now starting to ask why the taxpayer should help companies defend themselves against hostile takeovers or newcomers on the market."

The Government's forthcoming rules on insider trading do not herald a new era of regulation, but Mr Ryden believes the changes can be interpreted as a warning that the state is prepared to act if the business community does not show self-restraint.

Voluntary changes should also be considered in the current system of variably weighted share voting power and financial reporting practices, both of which have also been singled out for criticism.

The Stockholm market registered its first decline in four years in 1984, falling 12 per cent on the Veckans Affarer index following an almost threefold increase in the past five years.

New figures have been released by the central bank showing that the net export of Swedish shares fell dramatically from SKr 6.1bn in 1983 to SKr 1.5bn last year. The number of share issues outside Sweden declined from SKr 3.1bn to SKr 400m, accounting for more than half the difference.

New issue volume reached a record SKr 13.3bn – more than double the level for the entire decade starting in 1970. Favourable tax treatment meant that SKr 7bn was in the form of warrants and debentures, but stiffer rules are likely to make these instruments less interesting this year.

Moreover, a record 63 companies went public last year, but raised less money overall.

LONDON

Industrials take brunt of uncertainty

THE UNCERTAINTY over UK Government policy on sterling continued to weigh heavily on the London stock markets yesterday.

Leading shares again came under attack as credit charges in UK money markets rose. The key three-month interbank rate initially moved up to 14½ per cent, or half a percentage point higher than clearing bank base rates, and revived fears that further increases in bank borrowing charges might be in the offing. Conflicting reports about the Opec conference on oil prices compounded the worries.

Blue chips retreated and the sharp falls among the constituents of the FT Ordinary index took the measure 25 points lower by mid-afternoon. A reaction in money market rates, however, which gave government stocks a much-needed boost, eased the tension and left the FT index only 16.7 lower at 961.2 by the close.

Chief prices changes, Page 24; Details, Page 27; Share information service, Pages 28-29

HONG KONG

ENTHUSIASTIC profit-taking took its toll on a fragile Hong Kong, with the Hang Seng index falling 36.02 to close at 1,336.87 although turnover declined from the high levels set on Monday.

The failure of the market index to penetrate the 1,400 point barrier prompted institutions and local investors to sell. Many traders had expected Saturday's half-point cut in the colony's prime lending rate to underwrite a strong advance, but it failed to materialise.

Among the leaders, Cheung Kong fell 50 cents to HK$13.10, China Light lost 40 cents to HK$14.60 and Hongkong Bank shed 15 cents to HK$5.55.

Elsewhere Hutchison Whampoa retreated 60 cents to HK$19.90 although Jardine Matheson held its loss to 35 cents at HK$8.85.

AUSTRALIA

INDUSTRIALS were in the forefront of a Sydney rally that took the All-Ordinaries index 3.1 higher to 758.1.

Institutional buying was evident across the board. Resource issues were favoured by some bargain hunters and takeover situations again provided an incentive to selective buying.

CSR, which announced plans last week to restructure its Delhi petroleum subsidiary and is now considered a possible takeover target, rose 12 cents to A$2.87.

Oil and gas issues were firm despite uncertainty about the Opec conference in Geneva on pricing levels. Santos added 6 cents to A$5.12.

Metals and golds were mixed, with Niugini Mining and Placer up 20 cents at A$10.30 and A$22.00 respectively. North Broken Hill slipped 13 cents to A$2.05 after its A$14.8m half-year pre-tax loss.

Property group Hooker traded higher to A$2.09 but closed steady at A$2.07 after speculation that Sunshine Australia might lift its partial offer for the group.

CANADA

WEAKNESS developed in selected areas of Toronto, threatening to end the 11 consecutive days of gains. Golds put on one of the best performances, while base metal miners managed modest rises. Oil and gas issues were also marginally higher.

Among the actives, volume leader Daon put on 1 cent to C$2.98, Inco moved C$⅛ higher to C$18⅜, while Bank of Nova Scotia traded C$⅛ up at C$14⅜.

More moderate trading in Montreal edged most sectors higher.

EUROPE

Frankfurt inhibited by rate concern

CONTINUED reaction to the sharp advances posted last week left many of the big European centres marking time again yesterday.

Frankfurt trading was also inhibited ahead of tomorrow's policymaking meeting of the Bundesbank council, with views divided over whether an increase in domestic interest rates can be expected.

Nonetheless, the midsession calculation of the Commerzbank index showed a 5.7 advance to 1,147.2, although prices eased later to leave the market closing mixed.

Among banks, BHF fell another DM 6 to DM 283.50 in continued reaction to its planned one-for-eight rights issue at DM 195.

Deutsche Bank was DM 2 lower at DM 394.50 ahead of the announcement that Herr Alfred Herrhausen was to succeed the retiring management board spokesman, Herr Wilfried Guth.

In the steels sector, Thyssen slipped DM 1 to DM 69.90. Its steel unit reported an order worth DM 85m for a Chinese steel millcomplex.

Klöckner-Werke added another 10 pfg to DM 75 after a high of DM 75.60, on further consideration of the announcement that it is assured of state aid for its merger with Krupp and the Australian CRA group. Hoesch also added 10 pfg to DM 103.50 after its DM 80m Czechoslovakian steel piping order.

In a mostly easier motor sector, Porsche added DM 7 to DM 1,060 as it announced price rises from Friday and plans for two models to be available in versions allowing for the fitting of emission-reducing catalytic converters.

The other car makers continued to suffer from reports of a sharp fall in domestic demand as a result of uncertainties over introduction of the converters.

Bond prices eased in quiet trading, with the outlook for interest rates dominating the market. The Bundesbank was the only active participant, selling DM 11.5m of paper, after purchases totalling DM 7.9m the previous day.

Profit-taking left **Amsterdam** easier, but above opening lows, with the ANP-CBS General index down 2.7 at 192.2.

The downturn which began on Monday amid UK selling gathered pace yesterday when U.S. buying interest failed to materialise.

Bond prices were lower mainly under foreign and professional selling pressure amid continued uncertainty over interest rates.

The European Court's ruling that French petrol price controls contravene European Community statutes, undermined oil issues in **Paris** and led the bourse lower. Uncertainty over the outcome of Opec's meeting in Geneva further unsettled the sector.

Brussels drifted lower in light trading. One of the few advances was recorded by zinc producer Vieille-Montagne, up BFr 10 to BFr 5,510 after reports that a group of Flemish shareholders might try to gain a seat on the board. Union Miniere, which has a controlling minority in Vieille Montagne, declined to comment.

Bond prices edged higher in response to a half a percentage point cut in Treasury bill rates.

Against the lower trend, **Zurich** continued on its record setting path with the Swiss Bank industrial index up 1.00 at 412.20. Some profit-taking emerged, however, to limit gains.

Nestlé rose SwFr 90 to SwFr 6,060 in continued reaction to Monday's results.

Insurance and banking shares joined in a **Milan** upturn in lively trading which saw strong demand.

Madrid was also higher, but **Stockholm** turned lower with the sharpest losses seen in pharmaceuticals.

SOUTH AFRICA

A FIRMER bias developed among Johannesburg gold shares late in the session, although many mining houses closed down on the day despite the higher bullion price.

The government move to force gold mine groups to receive half the proceeds of their overseas gold sales in rands and half in dollars, instead of all in dollars, took its toll.

Buffels finished R2.50 off at R65.50, Driefontein was R1 cheaper at R47 and Free State Geduld at R43.50 was R1.50 down. Diamond share De Beers, however, added 5 cents to R8.55 and Rustenburg Platinum gained 20 cents to R18.50.

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
23½	16⅛	AAR	.48	2.2	15	37	22¼	22¼	22½	-¼
27½	9½	AGS			12	114	16½	16	16⅛	-⅛
20⅝	12¾	AMCA	1	7.1		39	14⅛	13⅞	14	-⅛
17⅞	13⅛	AMF	.50	3.2	98	347	15¾	15½	15¾	+¼
39¾	24¼	AMR			9	4771	38⅝	37⅝	38½	
20⅝	18¼	AMR	pf2.18	11		2	19⅝	19⅝	19⅝	
39	27½	AMR	pf2.12e	5.5		151	39½	37⅞	38½	
14⅛	8½	APL			3	4	10½	10⅛	10⅛	-⅛
69⅞	44¾	ASA	3	6.1		993	49⅜	48⅝	49¼	+½
28½	16	AVX	.32	1.5	13	3566	21	18½	21	+2¼
48¾	36¾	AbtLab	1.20	2.6	14	2245	46½	45¾	46⅛	-⅛
25¼	16½	AccoWd	s.44	1.7	20	523	25¼	25	25¼	
26¼	12½	AcmeC	.40	2.1		6144	18⅝	18⅛	18⅝	
12⅛	8¼	AcmeE	.32b	3.4	11	612	9¼	9½	9½	-⅛
17⅛	15	AdaEx	2.11e	13		114	16½	16¼	16½	
18⅝	11⅞	AdmMI	.32	1.8	9	121	18¼	17⅞	17⅞	-¼
19½	8⅞	AdvSys	.811	6.2	21	427	13¼	12⅞	13	-⅛
41⅛	25⅛	AMD			15	4771	35¼	33⅝	35¼	+⅞
12⅛	6⅞	Advest	.12	1.2		367	10⅛	9⅞	10⅛	+⅛
14⅛	8¾	Aerflex			13	96	13½	13¼	13¼	
39⅛	27¾	AetnLf	2.64	6.6	33	2081	39⅝	39	39¼	+½
58¼	52¼	AetL	pf5.87e	11		2	55¼	55¼	55¼	
33¼	15⅛	Ahmns	1.20	3.8	18	4780	32	31⅛	32	+⅞
4⅞	2⅞	Aileen			28	55	2⅞	2⅞	2⅞	
48⅞	36½	AirPrd	1.20	2.5	11	371	48¼	47⅞	48¼	
27⅛	13	AirbFrt	.60	2.6	15	531	23¼	22⅞	23	-⅛
2	⅞	AlMoa	s		27	125	1⅞	1⅞	1⅞	
27⅛	21	AlaP	pf2.97s	12		360	25½	25⅛	25⅛	-⅛
31⅛	26⅛	AlaP	pfA3.92	12		44	u31⅞	30⅞	31⅛	-⅛
7⅞	6	AlaP	dpf.87	12		61	u7½	7¼	7⅛	+⅛
72⅛	61½	AlaP	pf 9	12		z60	u73	72	73	+1⅛
75	63½	AlaP	pf9.44	12		z5610	u78	76	77½	+2½
68	57	AlaP	pf8.16	12		z200	65½	65½	65½	
65	56	AlaP	pf8.28	13		z130	66	66	66	+1
13⅛	10⅛	Alagsc	s.92	7.1	8	58	13	12⅞	13	+⅛
16⅞	9¼	AlskAir	.14	.8	10	2268	u17⅞	16⅞	17½	+1
...										
96	73	AsdD	pf4.75	5.2		134	91¼	91	91¼	+1
25¼	18⅛	Athlone	1.60	7.2	16	3	22¼	22¼	22¼	-⅛
25	19⅞	AtCyEl	2.48	10	8	130	24¾	24½	24¾	
52½	40⅝	AtlRich	2	6.9	16	20202	43⅝	43¼	43½	-⅛
39	32½	AtlRc	pf3.75	9.8		z180	38	38	38	
125	87	AtlRc	pf2.80	2.7		14	103¼	103	103	-1
20	11⅞	AtlasCp				9	14⅛	14⅛	14⅛	+⅛
38⅝	18⅛	Augat	.32	1.3	15	140	24	23⅝	24	+¼
43⅛	28½	AutoDt	.62	1.4	19	585	u43⅞	42⅞	43⅞	+⅞
50¼	24	AvcoCp			10	24	50	49⅞	49⅞	
99½	52	Avco	pf			3	68⅛	99⅛	99⅛	
23½	15⅝	AVEMC	.60	2.8	13	34	21½	21	21¼	-⅛
35½	23	Avery	.60	1.6	16	379	u36¼	35½	36⅛	+1⅛

Continued on Page 23

هكذا أصل الأصل

AMERICAN STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued on Page 24

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

Continued from Page 22

Continued on Page 24

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a–dividend also extra(s). b–annual rate of dividend plus stock dividend. c–liquidating dividend. cld–called. d–new yearly low. e–dividend declared or paid in preceding 12 months. g–dividend in Canadian funds, subject to 15% non-residence tax. i–dividend declared after split-up or stock dividend. j–dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k–dividend declared or paid this year, an accumulative issue with dividends in arrears. n–new issue in the past 52 weeks. The high-low range begins with the start of trading. nd–next day delivery. P/E–price-earnings ratio. r–dividend declared or paid in preceding 12 months, plus stock dividend. s–stock split. Dividends begins with date of split. sls–sales. t–dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u–new yearly high. v–trading halted. vi–in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd–when distributed. wi–when issued. ww–with warrants. x–ex-dividend or ex-rights. xdis–ex-distribution. xw–without warrants. y–ex-dividend and sales in full. yld–yield. z–sales in full.

WORLD STOCK MARKETS

AUSTRIA

Jan. 29	Price Schs	+ or −
Creditanstalt	222	+1
Goesse	350	+4
Interunfall	415	
Laenderbank	226	
Perlmooser	354	
Steyr-Daimler	159	
Veitscher Mag.	285	+10

BELGIUM/LUXEMBOURG

Jan. 29	Price Frs.	+ or −
B.B.L.	1,825	
Banq. Int. A. Lux	6,560	
Bekaert B	4,800	
Ciment CBR	2,800	+18
Cockerill	253	−2
Delhaize	6,010	+10
EBES	2,835	−20
Electrobel	8,100	
Fabrique Nat	2,105	+15
GB Inno BM	2,275	
GBL (Brux)	1,995	
Gevaert	3,700	−50
Hoboken	5,700	
Intercom	2,100	−45
Kredietbank	7,700	+50
Pan Hldgs.	10,400	+100
Petrofina	8,530	−50
Royale Belge	10,100	
Soc. Gen. Banq	3,250	
Soc. Gen. Belge	1,790	−10
Sofina	7,130	−20
Solvay	3,830	−28
Stanwick Intl.	1,450	
Traction el.	3,975	+15
UCB	4,625	−25
Wagon Lits	8,320	+20

DENMARK

Jan. 28	Price Kr. %	+ or −
Andelsbanken	287	+3
Baltic Skand	600	−5
CopHandelsbank	286	+4
D. Sukkerfab	530	+15
Danske Bank	286	+2
De Danske Luft	1,120	
East Asiatic	158	−1
Forenede Brygg	805	
Forenede Damp	95	+1
GNT Hldg	404	
I.S.S.B.	385	
Jyske Bank	550	+15
Novo Ind.	1,580	+90
Privatbanken	245	+3
Provinsbanken	300	+1
Smidth (F)	234	
Sophus Berend	920	
Superfos	465	+11

FRANCE

Jan. 29	Price Frs.	+ or −
Emprunt 4½% 1973	1620	−10
Emprunt 7% 1973	7,547	+7
Accor	255	+3
Air Liquide	582	+3
BIC	594	−11
Bongrain	1,660	+39
Bouygues	760	−10
BSN Gervais	2,380	+21
CIT-Alcatel	1,325	−5
Carrefour	1,820	+19
Club Mediter'n	1,189	+24
Cie Bancaire	610	+6
Cofimeg	266.5	+2.5
Damart	2,321	+1
Darty	1,078	−16
Dumez S.A.	733	−2
Eaux (Cie Gen)	593	+5
Elf-Aquitaine	230	−9.9
Essilor	2,825	+8
Gen. Occidentale	685	−7
Imetal	76	−3
Lafarge Coppee	400	+0.9
L'Oreal	2,444	−6
Legrand	2,080	−15
Maisons Phenix	190	
Matra S.A.	1,819	+14
Michelin B	800	−13
Midi (Cie)	2,275	−25
Moet-Hennessy	1,856	−1
Moulinex	101	−0.5
Nord Est.	80	−1.6
Pernod Ricard	713	−2
Perrier	486	+10
Petroles Fra.	249	−12.5
Peugeot S.A.	271.8	+0.7
Printemps Aus.	187	+2
Radiotech	248	+4.5
Redoute	1,219	−1
Roussel-Uclaf	1,588	−3
Selimeg	505.5	+0.6
Skis Rossignol	1,915	
Telemech Elect	2,268	+13
Thomson CSF	461	−1
Valeo	237	+2

GERMANY

Jan. 29	Price Dm.	+ or −
AEG-Telef	110.7	−0.3
Allianz Vers	1062xr	−1
BASF	178.5	−0.3
Bayer	187.8	
Bayer-Hypo	318	−0.5
Bayer-Verein	336	
BHF-Bank	283.5	−6
BMW	370	−5
Brown Boveri	193	+0.5
Commerzbank	171.2	−1
Cont'l. Gummi	120.3	−0.4
Daimler-Benz	623.5	−2.5
Degussa	345.5	−1.5
D'sche Babcock	156.5	+2
Deutsche Bank	384.5	−2
Dresdner Bank	181.2	−1.3
GHH	166.7	−0.8
Hochtief	477	
Hoechst	183	+0.2
Hoesch Werke	103.5	+0.1
Holzmann (P)	400	+5
Horten	173	−3
Hussel	290	+5
Karstadt	227	−4
Kaufhof	211	−1
KHD	248xr	−0.3
Kloeckner	75	+0.1
Linde	398	+3
Lufthansa	186	−0.5
MAN	161	
Mannesmann	154	−1
Mercedes Hld.	543	−3
Metallgesell	230	+4
Munich Rueck	1280	
Nixdorf	527.5	−2.5
Porsche	1060	+7
Preussag	244	−1.1
Rhein West Elect	165.1	−0.4
Rosenthal	245	+3
Schering	457.5	−4.5
Siemens	485.1	−0.4
Thyssen	89.8	−1
Varta	175	
Veba	170.4	−0.6
V.E.W.	122.2	−0.8
Verein-West.	310	+9
Volkswagen	194.8	−1.7

ITALY

Jan. 29	Price Lira	+ or −
Banca Com'le	17,550	−50
Bastogi-IRBS	184.75	+4.75
Centrale	2,318	+10
Credito Varesino	4,400	
Fiat	9,570	+42
Finsider	65	+1
Generali Assicur.	38,850	+690
Invest	2,928	
Italcementi	77,100	−400
La Rinascente	672	+7
Montedison	1,450	−4
Olivetti	6,450	−9
Pirelli Co.	3,925	+106
Pirelli Spa	2,183	+44
Snia BPD	8,628	+18
Toro Assic	16,401	−746
do. Pref	11,150	+151

NETHERLANDS

Jan. 29	Price Fls	+ or −
ACF Holding	194	−3
AEGON	157.5	−3
Ahold	213	−1
AKZO	100.5	−1.7
ABN	378	−2
AMEV	215.5	−5.8
AMRO	72	−0.5
Bredero Cert	156.5	−2
Bos Kalis Westm.	13.3	−0.1
Buehrmann-Tet.	83.6	−3
Calland Hldgs.	33	−0.1
Dordtsche Pet'm	161.7	−0.8
Elsevier-NDU	111	−1.5
Fokker	86.2	−3.3
Gist Brocades	176.5	−4
Heineken	162.5	−3.4
Hoogovens	61.5	−1.7
Int Mueller	41.8	−1.3
KLM	47.8xc	−1.1
Naarden	47.8	−1.2
Nat Ned Cert	278	−3
Ned Mid Bank	162	−3.2
Nedlloyd	158.8	−0.2
Oce Grinten	297.5	−2.5
Ommeren (Van)	28.3	−0.4
Pakhoed	68.5	−1.8
Philips	59	−0.2
Robeco	72.8	−0.5
Rodamco	135.4	−0.3
Rolinco	66.5	−0.3
Rorento	43.7	−0.1
Royal Dutch	181.6	−0.9
Unilever	331	−4
VMF Stork	142	−4
VNU	212.5	−4.5
West Utr Bank	102	−8

NORWAY

Jan. 29	Price Kroner	+ or −
Bergens Bank	170	−2
Borregaard	377.5	+2.5
Christiania Bank	182	+1
DenNorske Cred	169	+1
Elkem	139	+3
Kvaerner	187.5	+6.5
Norsk Data	414	+11.5
Norsk Hydro	87.5	−1
Storebrand	230	

SPAIN

Jan. 28	Price Pts %	+ or −
Bco Bilbao	520	+4
Bco Central	315	+4
Bco Exterior	204	+4
Bco Hispano	165	+4
Bco Popular	388	+6
Bco Santander	338	+4
Dragados	169	
Hidrola	91.2	−0.3
Iberduero	99	+1.8
Petroleos	185	+6.5
Telefonica	126	+2

SWEDEN

Jan. 28	Price Kronor	+ or −
AGA	360	−2
Alfa-Laval	195	−6
ASEA (Free)	338	+3
Astra (Free)	400	−15
Atlas Copco	110	−2
Cardo (Free)	285	+5
Cellulosa	135	+1
Electrolux B	269	+3
Ericsson	273	+3
Esselte	320	+5
Mo Och Domsjo	284	+4
Pharmacia	201	−2
Saab Scania Free	450	
Sandvik	380	
Skandia	286	−10
Skan Enskilda	57	
SKF	191	+1
St Kopparbergs	156	
Svan Handlesbn.	182	
Swedish Match	256	−1
Volvo B (Free)	260	−4

SWITZERLAND

Jan. 29	Price Frs.	+ or −
Alusuisse	798	+1
Bank Leu	3,840	+20
Brown Boveri	1,560	+10
Ciba Geigy	2,250	+10
do. (Part Certs)	2,250	+10
Credit Suisse	2,425	
Elektrowatt	2,700	−5
Fischer (Geo.)	704	+9
Hoff-RochePtCts	90,500	+375
Hoff-Roche 1/10	9,050	
Jacobs Suchard	6,450	
Jelmoli	1,880	−10
Landis & Gyr	1,670	−5
Nestle	6,080	+90
Oer-Buehrle	1,395	+10
Pirelli	270	+1
Sandoz (Br)	7,850	
Sandoz (PtCts)	1,265	−5
Schindler (PtCts)	725	+15
Sika	1,125	+5
Surveillance	4,110	−10
Swissair	1,112	−8
Swiss Bank	372	−1
Swiss Reinsce	9,375	+50
Swiss Volksbk	1,500	−10
Union Bank	3,720	+10
Winterthur	3,625	+30
Zurich Ins.	20,100	+50

AUSTRALIA

Jan. 29	Price Aust $	+ or −
ANZ Group	4.68	
Alliance Oil Dev.	1.06	
Ampol Pet.	1.75	−0.01
Ashton	0.83	+0.06
Aust Cons Ind.	1.96	+0.01
Aust. Guarantee	2.65	+0.06
Aust. Nat. Inds	2.48	−0.02
Aust. Paper	3.42	
Bell Group	4.9	−0.1
Bell Res.	4.5	+0.05
Bond Corp Hldgs	1.23	
Boral	3.28	−0.02
Bougainville	1.88	+0.03
Brambles Inds	3.65	
Bridge Oil	2.1	+0.05
B.H. Prop.	5.14	−0.02
CRA	5.28	+0.1
CSR	2.87	+0.12
Carlton Utd	4.30	
Castlemaine Tys.	4.65	
Coles (G.J.)	4.18	+0.08
Comalco "A"	2.35	
Consolidated Pet	0.47	
Costain Aust	1.25	
Dunlop Aust.	2.14	+0.02
Elders IXL	3.07xe	+0.05
Energ Res.	1.43	

AUSTRALIA (continued)

Jan. 29	Price Aust. $	+ or −
Gen Prop Trust	2.22	−0.05
Hardie (James)	3.05	−0.05
Hartogen Energy	2.12	−0.05
Herald W'yTimes	3.95	−0.05
ICI Aust.	2.05	−0.15
Jimberlana F.P.	0.3	
Kia Ora Gold	0.11	
Lend Lease	5.44	−0.1
MIM	2.48	−0.04
Mayne Nickless	3.1	−0.03
Myer Emporium	1.88	+0.01
Nat. Aust. Bank	3.66	−0.02
News	12.4	
Nicholas Kiwi	5.18	
North Bkn Hill.	2.05	−0.15
Oakbridge	0.84	−0.02
Pancont'l	0.97	−0.01
Pioneer Conc.	1.7	+0.05
Poseidon	2.6	
Queensland Coal	1.22	
Reckitt & Coln.	3.25	+0.05
Repco	1.1	+0.02
Santos	6.12	+0.08
Smith (Howard)	3.6	
Thos. Natwide	1.85	−0.04
Tooth	5.8	
Vamgas	3.12	+0.02
Western Mining	3.14	+0.09
Westpac Bank	3.5xt	−0.02
Woodside Petrol.	0.88	−0.02
Woolworths	3.34	−0.04
Wormald Intl	3.18	+0.05

HONG KONG

Jan. 29	Price H.K. $	+ or −
Bank East Asia	24.4	−0.3
Cheung Kong	13.1	−0.5
China Light	14.6	−0.4
Evergo	1.54	+0.04
Hang Seng Bank	45	−2
HK Electric	7.85	−2
HK Kowloon Wh.	5.55	−0.15
HK Land	7.15	−0.2
HK Shanghai Bk.	8.85	−0.25
HK Telephone	60	−0.15
Hutchison Wpa.	19.8	−0.6
Jardine Math.	8.85	−0.35
New World Dev.	6.25	−0.15
Orient O'seas	2.65	−0.07
O'seas Trust Bk.	2.77	−0.05
SHK Props	8.2	−0.2
Shell Elect.	2.0	
Swire Pac A	24.1	−0.9
TV—B	5.75	
Wheel'k Mard A	4.2	−0.12
Wheel'k M'time	1.1	
World Int. Hldgs.	1.92	−0.01

JAPAN

Jan. 29	Price Yen	+ or −
Ajinomoto	1,100	+30
Alps Electric	1,880	−50
Amada	1,170	−20
Asahi Chem	671	−9
Asahi Glass	870	−5
Bridgestone	645	−3
Canon	1,360	
Casio Comp	1,780	−20
Chugai Pharm	1,060	−10
Citizen	565	−10
Daiei	635	+5
Dai Nippon Ptg	960	+9
Daiwa House	541	−7
Ebara	345	−3
Eisai	1,660	+40
Fanuc	11,210	−90
Fuji Bank	1,310	+20
Fuji Film	1,720	−50
Fujisawa	1,320	+50
Fujitsu	1,340	+20
Green Cross	1,650	
Hasegawa	360	+4
Heiwa Real Est	631	−19
Hitachi	871	+1
Hitachi Credit	1,150	
Honda	1,420	−30
House Food	681	−12
Hoya	2,130	−10
Itoh (C)	341	−10
Ito Yokado	3,530	+10
Iwatsu	1,400	−10
JACCS	330	−1
JAL	5,330	−50
Jusco	710	−20
Kajima	275	−3
Kao Soap	825	−6
Kashiyama	607	
Kirin	547	
Kokuyo	820	−5
Komatsu	458	−2
Konishiroku	715	−13
Kubota	330	
Kumagai	565	+15
Kyoto Ceramic	6,720	−120
Maeda Const	463	−7
Makino Milling	1,300	
Makita	1,100	−20
Marubeni	308	+2
Marudai	640	
Marui	1,030	−50
MEI	1,560	−30
M'ta Elec Works	638	+5
M'bishi Bank	1,370	
M'bishi	621	
M'bishi Elec	400	
M'bishi Estate	550	−4

JAPAN (continued)

Jan. 29	Price Yen	+ or −
MHI	237	+1
Mitsui Co.	328	−2
Mitsui Estate	660	−9
Mitsukoshi	385	−2
NGK Insulators	515	−7
Nihon Cement	225	−4
Nippon Denso	1,370	−10
Nippon Elect	1,180	
Nippon Express	332	−3
Nippon Gakki	2,030	−180
Nippon Kokan	136	−2
Nippon Oil	847	−2
Nippon Seiko	640	−4
Nippon Shimpan	565	−23
Nippon Steel	145	−2
Nippon Suisan	331	−2
NTV	12,500	
Nippon Yusen	246	−2
Nissan Motor	607	
Nisshin Flour	485	−1
Nisshin Steel	168	−1
Nomura	910	−23
Olympus	1,190	
Orient Leasing	3,110	
Pioneer	3,170	
Renown	660	
Ricoh	895	−9
Sankyo	1,140	−20
Sanyo Elect	465	−5
Sapporo	400	−3
Sekisui Prefab	560	
Seven-Eleven	8,950	−50
Sharp	1,100	−20
Shimadzu	780	−10
Shionogi	708	−18
Shiseido	1,090	
Sony	3,980	−20
Stanley	876	−8
S'tomo Bank	1,650	−40
S'tomo Elect	910	
S'tomo Marine	597	−17
S'tomo Metal	146	−2
Taihei Dengyo	465	
Taisei Corp	200	−2
Taisho Pharm	1,140	−30
Takeda	819	+1
TDK	5,290	[illegible]
Teijin	431	−2
Teikoku	642	−5
Tokyo Marine	723	−15
TBS	830	−5
Tokyo Elect Pwr	1,580	−30
Tokyo Gas	165	−1
Tokyo Sanyo	700	−8
Tokyo Style	759	−4
Tokyu Corp	328	−3
Toppan Print	875	−3
Toray	435	−12
Toshiba Elect	416	−4
TOTO	655	−8
Toyo Seikan	919	−9
Toyota Motor	1,350	−20
Victor	2,060	−20
Wacoal	780	−10
Yamaha	749	−21
Yamanouchi	3,570	−50
Yamazaki	557	−3
Yasuda Fire	360	−7
Yokogawa Bdge	436	−4

SINGAPORE

Jan. 29	Price $	+ or −
Boustead Hldgs.	1.66	+0.1
Cold Storage	2.59	−0.15
DBS	6.1xe	−0.15
Genting	5.3	−0.15
Haw Par. Bros.	2.06	−0.06
Hong Leong Fin.	2.9	
Inchcape Bhd.	2.48	
Keppel Shipyard	1.55	+0.06
Malay Banking	6.05	−0.25
Malay Utd. Ind.	2.38	+0.08
Multi Purpose	0.97	+0.02
OCBC	9.05	−0.2
OUB	3.98	−0.08
Public Bank	1.77	+0.07
Sime Darby	1.66	−0.07
Singapore Press	6.85	−0.3
Straits Trdg.	4.42	
Tai Lee Bk.	2.9	−0.18
UOB	4.56	+0.08

SOUTH AFRICA

Jan. 29	Price Rand	+ or −
Abercom	1.4	
AE&CI	7.25	+0.05
Anglo Am Coal	43	+0.25
Anglo Am Corp	22.5	−0.3
Anglo Am Gold	168	
Barclays Bank	13.8	−0.45
Barlow Rand	9.65	+0.05
Buffels	65.5	−2.5
CNA Gallo	2	
Currie Finance	3.1	
De Beers	8.55	+0.05
Driefontein	47	−1
FS Geduld	45.5	−1.5
Gold Fields SA	87.5	
Highveld Steel	4.1	−0.05
Nedbank	9.1	−0.2
OK Bazaars	13.5	
Protea Hldgs	1.2	−0.15
Rembrandt	31.75	
Rust Plat	16.5	−0.2
Safren	12.6	
Sage Hldgs	6.5	−0.25
SA Brews	5.9	
Smith (CG)	19.5	−0.5
Tongaat Hulett	6.25	
Unisec	4.5	

NOTES — Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

OVER-THE-COUNTER *Nasdaq national market, 2.30pm prices*

Stock	Sales (Hlds)	High	Low	Last	Chng
[illegible]					

LONDON

Chief price changes
(in pence unless otherwise indicated)

RISES		
Tr. 13% 1990	£103¾	+¾
Ex. 12¼% 1990	£105½	+1½
Tr. 9½% 1999	£87¾	+½
Bryson Oil & Gas	95	+25
Microgen	810	+100
Microvitec	70	+13
Rank Org	318	+8
Western Min	231	+11
FALLS		
Allied-Lyons	172	−7
Avana	575	−20
BTR	642	−12
Babcock Int'l	156	−7
Barclays	603	−17
Beecham	368	−12
Britannia Ar	108	−11
Burton	440	−21
Cable & Wire	498	−16
Home Farm Prod	58	−13
ICI	817	−8
Lucas Inds	264	−7
P&O Defd.	300	−8
Powell Duffryn	395	−28
Reed Int'l.	560	−10
Samuelson	790	−50
Smiths Inds	192	−9
Standard Chart	495	−15
TI	226	−10
Trusthouse Forte	148	−8
Union Discount	680	−20
Vickers	213	−9

Continued on Page 25

AMERICAN STOCK EXCHANGE CLOSING PRICES

Continued from Page 23

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls. 100s	High	Low	Close Quote	Ch'ge Prev. Close
[illegible]										

CANADA

TORONTO
Prices at 2.30pm January 29

Sales	Stock	High	Low	Close	Chng
3200	Conwest R	260	255	255	
100	Canron A	611	13	11	
1850	Crownx	817½	17	17	−¼
12100	Czar Res	158	155	155	
35705	Daon Dev	298	297	297	
3744	Lac Mnrls	526¼	26¼	26¼	−¼
100	LOnt Cem	510⅞	10⅝	10⅝	+¼
1320	Lacana	518	9⅞	10	
1275	Loblaw Co	519⅞	19¼	19¼	−¼
200	MDS H A	618½	18½	18½	
50	Talcorp	73	73	73	−3
11400	Tara	818⅝	19½	18½	
730	Teck Cor A	511⅞	11¾	11⅞	+⅛
25252	Teck 2 I	512½	12¼	12½	+⅛
200	Teledyne	511½	11½	11½	
[illegible]					

MONTREAL
Closing prices January 25

Sales	Stock	High	Low	Close	Chng
[illegible]					

WORLD STOCK MARKETS

OVER-THE-COUNTER

Continued from Page 24

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

Indices

NEW YORK-DOW JONES

	Jan 29	Jan 28	Jan 25	Jan 24	Jan 23	Jan 22	1984–85 High	1984–85 Low	Since Compilation High	Since Compilation Low
Industrials	1,276.28*	1,277.83	1,276.08	1,270.43	1,274.73	1,268.50	1288.84 (8/1/84)	1088.57 (24/7)	1287.20 (28/11/83)	41.22 (2/7/32)
Transport	605.74*	607.11	598.73	604.52	603.85	594.11	612.63 (9/1/84)	444.03 (25/7)	612.63 (9/1/84)	12.32 (8/7/32)
Utilities	148.38*	148.39	148.18	147.93	148.70	147.83	148.93 (19/12)	122.25 (15/6)	163.72 (20/4/69)	16.5 (28/4/42)
Trading vol		128m	122m	160m	144m	174m	–	–	–	–

	Jan 18	Jan 11	Jan 4	Year Ago (Approx)
Ind Div Yield %	4.91	4.94	5.08	4.33

STANDARD AND POORS

	Jan 29	Jan 28	Jan 25	Jan 24	Jan 23	Jan 22	1984–85 High	1984–85 Low	Since Compilation High	Since Compilation Low
Industrials	197.93*	198.55	198.55	198.81	198.58	196.65	198.88 (23/1/85)	167.74 (24/7)	198.88 (23/1/85)	3.62 (30/6/32)
Composite	178.92*	177.30	177.35	176.71	177.29	175.48	177.38 (28/1/85)	147.82 (24/7)	177.39 (28/1/85)	4.40 (1/6/32)

	Jan 23	Jan 16	Jan 6	Year Ago (Approx)
Ind div yield %	3.85	4.08	4.15	3.78
Ind. P/E Ratio	11.14	16.71	18.31	13.48
Long Gov Bond Yield	11.16	11.51	11.48	11.54

N.Y.S.E ALL COMMON

Jan 29	Jan 28	Jan 25	Jan 24	1984–85 High	1984–85 Low
102.32*	102.53	102.42	102.83	102.53 (28/1/85)	85.13 (24/7)

RISES AND FALLS

	Jan 28	Jan 25	Jan 24
Issues traded	2,039	2,026	2,058
Rises	954	971	902
Falls	664	613	746
Unchanged	421	444	411

New York Active Stocks

	Stocks Traded	3.00p.m. Price	Change on Day		Stocks Traded	3.00p.m. Price	Change on Day
ATT	3,621,000	20½	– ⅛	Mobil	1,240,300	28⅞	– ⅝
Atl Rich	1,763,000	43¼	– ½	Wean Union	1,147,700	6⅞	+ 1⅛
Southern	1,624,300	17¾	– ¾	Tenneco	1,069,200	39⅞	– ⅛
Gen Mills	1,498,700	54¾	+ 4⅞	Texaco	1,041,800	34⅝	– ⅛
Manville	1,296,500	7	+ ⅜	Newst Ind	980,900	49⅞	+ ⅞

Advances 897 Declines 686

TORONTO

	Jan 29	Jan 28	Jan 25	Jan 24	1984–85 High	1984–85 Low
Metals & Minls	2,158.8*	2,163.3	2,145.5	2,124.6	2524.4 (12/1/84)	1841.2 (25/7)
Composite	2,602.3*	2,566.8	2,517.8	2,525.9	2585.7 (6/1/84)	2079.7 (24/7)
MONTREAL Portfolio	129.57*	129.31	126.40	127.11	129.31 (28/1/85)	100.36 (24/7)

* Indicates pre-close figure

	Jan. 29	Jan. 28	Jan. 25	Jan. 24	1984-85 High	1984-85 Low
AUSTRALIA						
All ord. (1/1/80)	758.1	(c)	754.6	753.5	787.6 (9/1/84)	546.0 (18/6)
Metals & Minls. (1/1/80)	452.2	(c)	429.2	429.2	567.4 (5/1/84)	393.5 (7/1/85)
AUSTRIA						
Credit Aktien (2/1/62)	66.15	58.83	58.48	58.81	59.07 (28/12)	56.20 (15/8)
BELGIUM						
Brussels SE (1.1.80)	2118.16	5128.22	2128.94	2125.98	–	–
DENMARK						
Copehagen SE (5/1/83)	170.16	171.57	169.97	166.36	225.21 (20/1/84)	150.44 (8/1 85)
FRANCE						
CAC General (31/12/82)	195.8	196.0	195.30	196.5	196.6 (28/1/85)	155.6 (3/1/84)
Ind Tendance (28/12/84)	106.6	107.6	109.90	107.3	107.3 (24/1/85)	100.0 (28/12/84)
GERMANY						
FAZ Aktien (31/12/58)	398.78	382.58	392.17	395.42	402.75 (18/1/85)	317.17 (26/7)
Commerzbank (1/12/53)	1147.5	1141.5	1138.5	1149.80	1171.1 (22/1/85)	917.7 (25/7)
HONG KONG						
Hang Seng Bank (31/7/64)	1538.67	1374.88	1573.01	1564.87	1386.42 (17/1/85)	746.02 (13/7)
ITALY						
Banca Comm Ital. (1972)	256.58	256.07	254.81	253.52	256.86 (29/1/85)	192.66 (2/1/84)
JAPAN**						
Nikkei-Dow (16/5/49)	11845.1	11768.9	11785.1	11854.5	11964.5 (21/1/85)	9703.35 (25/7)
Tokyo SE New (4/1/60)	922.34	916.25	921.72	928.55	935.77 (16/1/85)	756.4 (4/1/84)
NETHERLANDS						
ANP-CBS General (1970)	192.5	194.9	195.5	196.8	198.3 (24/1/85)	146.8 (25/7)
ANP-CBS Indust (1970)	155.8	156.5	169.8	157.9	167.7 (25/1/85)	116.7 (18/6)
NORWAY						
Oslo SE (4/1/85)	326.54	317.74	318.57	320.83	326.54 (29/1/85)	221.87 (4/1/84)
SINGAPORE						
Straits Times (1966)	816.58	794.84	776.18	786.84	1071.9 (9/2)	764.4 (16/1/85)
SOUTH AFRICA						
Gold (1958)	914.7	925.4	962.8	991.5	1096.0 (19/11)	758.1 (24/1/84)
Industrial (1958)	880.4	885.5	893.5	896.1	1105.3 (20/5)	865.5 (18/6)
SPAIN						
Madrid SE (28/12/84)	113.82	112.53	110.88	110.14	113.82 (29/1/85)	100.00 (28/12/84)
SWEDEN						
Jacobson & P (1/1/58)	1429.85	1435.88	(c)	1411.57	1684.5 (8/2)	1302.99 (22/11)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	412.2	411.2	408.6	409.3	412.2 (29/1/85)	354.5 (25/7)
WORLD						
Capital Intl. (1/1/70)	–	194.4	194.7	194.8	194.7 (25/1/85)	185.2 (14/12)

** Saturday January 26: Japan Nikkei-Dow 11,736.5. TSE 918.65.

Base values of all indices are 100 except Australia All Ordinary and Metals—500. NYSE All Common—50; Standard and Poors—10, and Toronto Composite and Metals—1,000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Exclusive bonds. ‡ 400 Industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. (u) Unavailable.

Stock	Sales (Hnds)	High	Low	Last	Chng
[illegible]					

State framework will simplify investor protection

A STATUTORY framework to make investor protection laws more straightforward, more consistent, more comprehensive and more suited to present and future challenges facing the financial services industry is detailed in a White Paper.

In its proposals the Government is seeking to ensure that the financial service community in Britain is efficient in its provision of services to industry and commerce, private investors and the Government and is competitive, domestically and internationally. A system of regulation must inspire confidence by ensuring that the financial services sector is, and is seen to be, a "clean" place to do business. The regulatory framework must be clear enough to guide, but not cramp, structural change in the industry, says the Government.

The Government favours a system of supervision of the financial service community in which those who provide financial services will police their markets. This self-regulatory system will operate within a statutory framework, and the Government expects to introduce legislation based on these proposals in the 1985-86 parliamentary session.

In the 44-page White Paper the Government envisages the creation of two practitioner-based regulatory bodies — a "securities and investments board" and a "marketing of investments board," the latter responsible, in particular, for life insurance and unit trusts.

By John Moore, City Correspondent

Ashley Ashwood

Mr Norman Tebbit, Secretary of State for Trade and Industry, presents the Government's proposals

Private bodies will authorise businesses

RESPONSIBILITY for authorising investment businesses will be given to one or more private sector bodies whose members will be drawn from those who provide and those who use financial services.

"There is a wide measure of support for a regulatory system which can most simply be described as self-regulation within a statutory framework," the White Paper says.

The Secretary for Trade and Industry will keep certain powers in relation to competition and international obligations, to ensure that the private sector regulatory bodies do not adopt rules or practices which conflict with these obligations. The trade secretary will ensure that the rules or practices of the bodies are not more restrictive than necessary for their prime purpose of protecting investors' interests and maintaining proper standards in the industry.

Explaining the reasons for the proposed structure for investor protection, the Government says the main advantages of a system of self-regulation within a statutory framework are as follows:

● It offers the best possibility of combining adequate investor protection with a competitive and innovative market.

● Regulation is more likely to be effective if there is significant practitioner involvement in devising the rules, enforcing them and in encouraging the observance of high standards of conduct.

● A private sector body able to make and enforce rules would have greater flexibility in its operations than a body unable to change its rules other than by parliamentary legislation.

● Practitioners are best equipped to spot breaches of the rules and take swift and effective enforcement action.

● A private sector body could be established and brought to a high degree of readiness by the time the legislation receives royal assent; the legislation and the practical preparations can go forward together rather than consecutively.

● Day-to-day regulatory action is distanced from government.

"The necessary legislation to establish a new statutory framework is likely to be in place, if parliament agrees, by the end of 1986." *Only* when the legislation is in place can the trade secretary delegate formal power to the main private sector regulatory bodies or body. "In the meantime, however, it will clearly be necessary to develop the body or bodies to the stage which would allow the delegation of authority to them . . .

"During this development, the financial services industry and its customers may conclude that there are advantages in a single body. The Government would be prepared to consider such a proposal." But the Government believes an effective system of regulation can be based on two bodies—the securities and investments, and the marketing of investments board, covering the regulation of marketing of pre-packaged investments.

"The Government recognise the very important contributions made to self-regulation over many years by the Stock Exchange and, more recently, by bodies like the National Association of Security Dealers and Investment Managers and the Insurance Brokers' Registration Council. They welcome the formation of the Association of Futures Brokers and Dealers. These organisations will continue to play a major role in the new system. But each can cover only its own particular sector.

"Against the background of radical changes in the financial services industry and the increasing potential for abuse of conflicts of interest the Government intend that equivalent standards of conduct should apply to the whole industry. This can be best achieved by the creation of the proposed bodies which will be primarily function-based."

In the legislation the Government will seek parliamentary approval for regulatory powers to be given to the Secretary of State. The Secretary of State would be enabled to delegate these powers to any body which appeared to him to meet criteria to be set out in legislation. In this way the bodies would be given their statutory backing.

Under the proposed criteria the body's indicated rules and practices relating to the authorisation of investment businesses —and suspension, variation and revocation of authorisation—are fair and reasonable.

The body's proposed requirements relating to authorisation would have to ensure that those who are permitted to undertake investment business are and "remain fit and proper persons by virtue of their competence, probity and resources."

A body's proposed rules relating to the conduct of business will have to ensure that investors are afforded adequate protection. A regulatory body will have to show that it has procedures and resources enabling it effectively to monitor and enforce observance of its rules. The constitution of a regulatory body will have to give its governing council adequate independence from the sectional interests of those authorised, and effective procedures for investigating complaints against investment businesses. *Proposed rules* should not impose restrictions on competition greater than justified for the adequate protection of investors.

The governing council of a regulatory body should include members drawn from users of financial services and other lay members as well as practitioners.

"To provide for a statutory power of authorisation and regulation to be given to a private sector body is unprecedented. The bodies will be enabled to make rules with the force of law and to ensure that businesses comply with them. But the practitioner-based system will not work without the maximum freedom from detailed government intervention or if every change in rules is subject to government or parliamentary approval."

Combining accountability and a practitioner base

IN ORDER to combine the benefits of an effective practitioner-based sytem with accountability to the government and to parliament the following is proposed:

For the securities and investment board, the secretary of state will appoint the chairman with the agreement of the governor of the Bank of England. The governor will appoint other board members with the agreement of the secretary of state. For the marketing of investments board, the secretary of state will appoint the chairman and the other members in consultation with the industry.

The White Paper says there is a risk that regulation by practitioner-based organisations may degenrate into cosy clubs or cartels. Special provision will therefore be made to apply competition policy to securities and investments board and self-regulatory organisations.

The secretary of state will keep the power to revoke or amend the rules of the boards if they conflict with Britain's international obligations.

If at any time either board ceases to conform to the criteria in the statute the secretary of state will be able to withdraw its delegated authority. The regulatory function would then rest with the secretary until any further delegation was made.

The boards will be obliged by statute to report annually to the secretary of state who will lay their reports before parliament.

The board's decision on authorisation of investment business and on penalties for breaches of the rules can be referred to an independent tribunal appointed by the secretary of state.

PROPOSALS FOR LEGISLATION ON FINANCIAL SERVICES

INVESTMENTS subject to the legislation will include, in addition to the securities covered by the existing Prevention of Fraud (Investments) Act 1958, the range of financial and commodity futures and options contracts and certain other products. Those investments excluded are property which passes under the direct physical control of the investor.

Investment businesses subject to the legislation will include any business which effects transactions in investments, manages investments or offers advice about them. Newspapers, investment clubs, and companies issuing their own shares will be excluded from the legislation.

It will be an offence in law to carry on investment business described in the legislation unless practitioners are authorised.

The Secretary of State for Trade and Industry is seeking in the legislative programme powers to allow regulatory bodies to authorise the operation of financial concerns and individuals carrying out investment business.

Two main practitioner-based regualtory bodies could be formed—a "securities and investments board" and a "marketing of investments board," covering in particular life assurance and unit trusts. The legislation will in no way prevent delegation to a single practitioner-based regulatory body.

There will be provision for the two boards to recognise self-regulatory organisations such as the Stock Exchange, the National Association of Security Dealers and Investment Managers, the Association of Futures Brokers and Dealers and the Insurance Brokers Registration Council for the authorisation of an investment business.

The Secretary of State will appoint the chairman of the Securities and Investments Board with the agreement of the Governor of the Bank of England. The Governor of the Bank of England will appoint the other board members with the agreement of the Secretary of State. For the marketing of investments board, the Secretary of State will appoint the chairman and other board members in consultation with the sectors of the financial services industry involved.

The current controls will be relaxed to allow more unit trusts to be made available.

Investment advisers will have a duty to disclose "relevant information" including any material interest they have in a recommendation.

There will be a requirement to disclose comprehensive information about the way pension scheme assets are invested.

Only authorised investment businesses will have a statutory right to issue advertisements or circulars likely to lead to the purchase or sale of investments.

Public offers of securities, primary or secondary, including offers made on take-over bids, will be subject to the same statutory regime.

The legislation will extend the insider dealing provisions of the Companies Act 1980 to cover all securities, including options and futures contracts based on them.

The regulatory board (or boards) and its recognised self-regulatory organisations will be responsible for enforcing their respective rules. The Department of Trade and Industry and the prosecution authorities will be responsible for enforcing the criminal law.

Boards will utilise self-regulation

THE GOVERNMENT expects the two boards will wish to make maximum use of self-regulatory organisations. The boards will be able to recognise self-regulatory organisations and to supervise their rules and practices.

The boards will have to determine that the organisation is able to regulate the admission and conduct of its members, and that its rules provide a standard at least as high as those of the boards themselves.

Thus authorisation for an "investment business" could be obtained either through membership of a self-regulatory organisation recognised by a board or directly from a board.

Those setting up the boards will have to work out how they can operate most swiftly and effectively. They may conclude that this depends on the boards having the right to apply to the courts to secure evidence and witnesses. If so, the Government will consider provisions to this end.

Any dispute about authorisation decisions or about penalties for breaches of the rules will be determined by the independent tribunal. Its three members will be appointed by the secretary of state and it will be financed out of public funds. The chairman will be a lawyer, and one other member will be from the industry.

The tribunal's decision will be published, and an appeal could be on facts or law. The tribunal would be able to substitute its own judgment for the board's. The powers of the tribunal will be similar to those of the courts to require attendance and papers.

The development of integrated financial services groups, providing a range of services, means that many of them are subject to different supervisory requirements.

The White Paper says that under the new arrangements some of their business activities will fall within the ambit of the securities and investments board and others within that of the marketing of investments board. Some groups — or members of the same group— already belong to more than one self-regulatory organisation.

In addition, many financial conglomerates have a banking or deposit-taking arm subject to the supervision of the Bank of England under the Banking Act and an insurance arm subject to regulation by the Department of Trade and Industry under the Insurance Companies Act 1982. Some will also be supervised by the authorities in other countries where they do business.

As a consequence, the Government recognises that regulatory responsibilities will overlap. "It is the Government's wish that the need for multiple authorisation of investment business should be kept to a minimum. A member business of a recognised organisation need apply for board authorisation only in respect of types of investment business not regulated by any recognised organisation of which it is already a member."

The Government says it is important that co-operation continues between the various regulatory bodies. It is to propose arrangements to enable information to be transferred between regulators, subject to safeguards.

The boards will be financed by investment businesses and would not call on public funds. The right of the boards to finance themselves in this way will be confirmed in statute.

Safeguards provided

THE RAPID increase in the number of firms engaging in more than one type of investment business and the blurring of demarcation lines — for example, betwene stockbrokers and stockjobbers—have made it more important than ever that investors are adequately protected against abuses arising from conflicts of interest within investment businesses, says the White Paper.

It has been suggested that "Chinese Walls" offer this protection. The Licensed Dealers (Conduct of Business) Rules 1983 define "Chinese Walls" as follows: "a Chinese Wall means an established arrangement whereby information known to persons in one part of a business is not available (directly or indirectly) to those involved in another part of the business, and it is accepted that in each of the parts of the business so divided decisions will be taken without reference to any interest which any other such part or any person in any such part of the business may have in the matter."

The White Paper says: "the Government are not convinced that total reliance can be placed on Chinese Walls because they restrict flows of information and not the conflicts of interest themselves.

The safeguards which the Government feels the legislation should provide, in respect of all investment business are:

● A principle of fair dealing. This principle would be the basis of specific rules prohibiting unfair practices and requiring investment business to be conducted in accordance with good market practice.

● A duty of skill, care and diligence in the provision of investment advice and the transaction of investment business. This would mean, for example, that those holding themselves out as being qualified to give investment advice, and who stand to profit when their advice is followed, are held to a duty of care commensurate with their responsibilities.

● A duty to disclose. This would, for example, require an investment business to disclose in advance any material interest which it had in the proposed transaction, the capacity in which it would act, the fees which it would charge, the remuneration which it might receive from other parties interested in the transaction and any connection which it might have with other parties interested in the transaction.

"It will be a criminal offence for any person knowingly or recklessly to engage in any act, device, scheme, practice or course of conduct in relation to investment business which is likely to defraud, deceive or mislead."

Where an investment business acts as an *agent* for a client, the general rules of agency and the consequent fiduciary duties apply to the business. The business must not put itself in a position where its duties to the client conflict with its own interests or with its duties to others unless the circumstances have been explained to, and accepted by, the client. The business must account to the client for any secret profit, whether or not that profit is made at the expense of the client.

Specific conflicts of interest need to be resolved in the following way.

● A "best execution" principle, whereby all instructions from clients must be executed to the client's best advantage. Thus no investment should deal with a client from its own account or book unless this results in better terms for the client.

● A "subordination of interest" requirements, so that the client's interests are paramount. Thus clients should be given priority in the execution of orders when an investment business is also dealing on its own account, and there should be no "churning" of a managed portfolio to generate commission income. Transactions should not be carried out except at the price, in the volume and at the time indicated, and in accordance with the wishes of the client where these have been expressed.

Where a business can deal with a client either as principal or as agent the client should be made aware of the capacity in which it is acting.

The legislation will require an investment business holding funds on behalf of a client to place them in a segregated trust account. Client money will be held as trust money. This will not apply where client money is held by a bank, licensed deposit taker or building society because protection in these cases is given by the Banking Act and building societies legislation. Investment firms should also make arrangements to safeguard documents of title held on behalf of clients.

Compensation should be available for investors in the event of loss arising from investment businesses fraud, negligence, or failure to comply with requirements for the protection of clients' assets.

It would be for the relevant board to establish or approve the appropriate method of compensation. The legislation would impose a duty on it to see that such arrangements are made, and confer the necessary powers.

In addition, investment and dealing recommendations should be adequate and reasonable, having regard to the nature of the investment and the circumstances of the client. Terms of business deals should be disclosed to customers. Proper records should be kept by investment concerns and arrangements should be made by the regulatory boards for the orderly conduct of business by authorised companies.

The principles outlined in the White Paper governing the conduct of investment business will be set out in the legislation and rules based on them will be drawn up by the boards and the self-regulatory organisations which they recognise. "Keeping these rules up to date and enforcing them will be one of the prime functions of the boards."

Competition 'should not be unnecessarily restricted'

THE RULES of the boards and of the self-regulatory organisations they recognise should not restrict competition any more than is necessary for the protection of investors and the proper conduct of investment business, says the White Paper.

The legislation will make express provisions for the promotion of competition in the financial services sector by arrangements which: apply a consistent framework of competition law throughout the financial services sector; and enable the Secretary of State to amend or withdraw rules of the boards or the self-regulatory organisations if they are detrimental to competition and not justified in the interests of investor protection.

The Secretary of State will seek the advice of the Director General of Fair Trading on whether a rule change has significant implications for competition, or whether it is operating, either through agreements or conduct stemming from it, in a way detrimental to competition.

Provisions on insider dealing

THE LEGISLATION will extend the insider dealing provisions of the Companies Act 1980 to cover all securities, including options and futures contracts.

Responsibility for conducting investigations into alleged cases of insider dealing will rest with the market authorities and the Department of Trade and Industry. The Government considers it necessary to strengthen the investigators' hand by providing for them to be equipped with powers similar to those vested in an inspector appointed under section 165 of the Companies Act 1948. This would enable them to require any person who had bought or sold securities to disclose—for the purpose of Part V of the Companies Act 1980—details of a transaction.

Public issues

PUBLIC OFFERS of securities, primary or secondary, including offers made on take-over bids, will be subject to the same statutory regime. All offers to the public will have to comply with requirements regarding their contents, *unless specifically excepted.* The minimum contents of prospectuses will be set out in regulations made by the Secretary of State.

If the securities market felt it would be helpful, the Government would be willing to consider providing statutory backing for the City Panel on Takeovers and Mergers.

Pensions

THERE WILL be a requirement to disclose comprehensive information about the way pension scheme assets are invested. Any investment manager or adviser involved in the administration of pension schemes as a business — other than simply as an employee — will require authorisation.

Advertisements

ONLY AUTHORISED investment businesses will have a statutory right to issue advertisements or circulars likely to lead to the sale or purchase of investments. "Advertisements and circulars" will be defined to include all media. "Cold-calling" will not be banned for the sale of investment products where a cooling off period can be provided.

Solicitors

THE GOVERNMENT propose that the Secretary of State should be able to exempt from the requirement to obtain authorisation the members of a professional body which is already recognised for the purposes of other statues. The Secretary will only do this if satisfied that the professional body in question maintains and enforces professional standards of conduct offering equivalent safeguards for the investor. This exemption will apply only as long as the investment business of the firm is not a significant part of its activities. The likely candidates for exemption are solicitors, members of the four accountancy bodies recognised for the purpose of auditing company accounts and actuaries.

Tipsheets

THERE HAVE been cases of abuse where share tipsters in tipsheets, publications which recommend particular share transactions, have taken advantage of recommendations in advance of their publication to subscribers.

The Government propose that tipsheets should be treated as investment circulars. Their publishers will be required to be authorised whether or not they offer dealing facilities. Bona fide newspapers will not require authorisation.

Marketing of investments board to be established

THE marketing of investments board will be able to recognise other self-regulatory organisations in its field when it receives its delegated powers from the Secretary of State. In turn these organisations, once recognised, would be able to admit and regulate their members, with the ultimate sanction of expulsion.

The White Paper says: "The Insurance Brokers Registration Council (IBRC)—as an existing statutory self-regulatory body—is in special position. If the IBRC is to play its part in the new self-regulatory structure, changes will have to be made to its constitution and rules.

"The Government will propose amendments to the Insurance Brokers (Registration) Act 1977 to fit the IBRC for its new role while retaining as far as posible the existing structure of broker self-regulation for non-life insurance and the exclusive right to the title 'insurance broker' for those registered with the IBRC."

The Government considers that customers should be in a position to assess the degree to which independent intermediaries purporting to offer impartial advice to the customer may be influenced by commissions, including those known as overriders, and other indirect payments and benefits in kind. "Rigorous disclosure requirements should be laid down to provide, at point of sale, information about these matters to purchasers of life assurance and units in unit trusts."

The proposed legislation will provide that one of two routes should be followed. The first is that specific details be stated of the amount and nature of the commission to be paid in relation to the transaction in question, including subsequent renewals.

Alternatively, there could be an undertaking that the commission is within the limits prescribed by voluntary agreement within the industry. These limits could be set out by the insurance company in a notice provided to the purchaser, supplemented by fuller information on the limits in a leaflet made available to the purchaser at point of sale.

The Government intends that it should be an offence for anybody to promote in the UK the sale of any long-term life assurance contract with an insurer not authorised to carry on such business by the authorities of a European Community member state.

Further it would be an offence for anyone to publish or circulate in the UK any advertisement for the contracts of such an insurer.

In either case exceptions could apply when specifically permitted by regulations made by the Secretary of State.

Reform of unit trusts legislation proposed

REFORMS in the regulation of the unit trust movement are planned to enhance the range of schemes available without doing away with essential safeguards. "Unit trusts are at present over-regulated in some respects," the White Paper says.

The legislation will provide for two categories of unit trusts: authorised unit trusts, which can be promoted to the public generally; and restricted unit trusts which will have to be promoted more selectively.

Unit trusts which their promoters intend offering to the public will need to be authorised, as now. The Government envisages delegating this task to the securities and investments board in due course.

Existing company law makes it impracticable to form variable capital companies in the UK, although in many countries they are the standard form of collective investment scheme. The Government proposes to amend the law to allow such open-ended investment companies to be formed in the UK. "This will enable the UK unit trust industry to compete on the same basis as its foreign counterparts."

Existing law forbids the promotion of unauthorised unit trusts, except to professionals. The Government proposes to end this ban, and to provide for a new category of "restricted unit trusts."

This category of unit trusts will be restricted in two respects. First, the prospectus may be sent initially only to other authorised investment businesses or to the manager's own clients. Second, authorised businesses will be required to take reasonable care to establish that a client understands and can afford to take the higher risks involved in a restricted scheme.

Policing and prosecution

THE REGULATORY boards and their recognised self-regulatory organiation will be responsible for enforcing their respective rules. The Department of Trade and Industry and the prosecution authorities will be responsible for enforcing the criminal law.

To facilitate vigorous enforcement, the Government proposes that the legislation should empower the Department of Trade and Industry to inspect the books and paper of authorised businesses, and of any person, company, partnership or sole trader suspected of carrying on investment business without being authorised. This would be analogues to similar powers in other legislation.

Co-ordination between the boards, the self-regulatory organisation which they recognise and the Department of Trade and Industry would be essential for enforcement of the criminal law to be effective. "In particular, evidence of possible criminal activity uncovered by the boards and the self-regulatory organisations . . . will need to be passed to the department and the prosecution authorities," the White Paper says.

To facilitate the enforcement of investors' rights under Civil law the Government proposes powers for the Secretary of State, which he could delegate to the boards, to seek injunctions and "disgorgement orders" against businesses in breach of the criminal law, the rules of boards or those of recognised self-regulatory organisations.

Financial Services in the UK: a new framework for investor protection, Cmnd 9432, HMSO, £4.55.

LONDON STOCK EXCHANGE

MARKET REPORT

Gilt-edged recovery contrasts with another fall in blue chip industrials

Account Dealing Dates

Option

*First Dealings	Declarations	Last Dealings	Account Day
Jan 14	Jan 24	Jan 25	Feb 4
Jan 28	Feb 7	Feb 8	Feb 18
Feb 11	Feb 21	Feb 22	Mar 4

* "New-time" dealings may take place from 2.30 am two business days earlier.

The uncertainty aroused by Government policies towards sterling which, so far, has shown little appreciable response to sharply higher interest rates continued to shroud London stock markets. For the second day running, leading shares came under attack as credit charges in UK money markets rose. The key three months interbank rate initially moved up to 14¼ per cent, or ¼ percentage point higher than clearing bank base-rates, and revived fears that still further increases in bank borrowing charges may be necessary in order to sustain sterling. Conflicting reports on the current Opec meeting compounded these worries.

Blue chip industrials retreated across the board with jobbers meeting a rush of selling from small investors anxious to realise profits. By mid-afternoon the FT Ordinary share index was down 25.4 and seemed set for further depreciation. A subsequent reaction in money market rates, which gave Government stocks a much-needed boost, eased the tension and brought leading equities away from the session's lowest. The FT index finally closed 16.7 down at 961.2.

Consumer shares led the way down being affected by dearer money trends and, despite the late rally, still settled with falls ranging to 26. Late news that yesterday's talks about talks between NUM and NCB officials had ended tended to stifle interest in the after-hours trade.

The early morning scare concerning base lending rates upset gilt-edged securities. Shorter maturities were hard hit and sustained immediate falls, some approaching a full point, before recovering. Investors gradually regained confidence, however, and later in the day medium-life stocks came into their own. Selected issues responded sharply to revived persistent demand and closed 1½ points up on the day. Longer-dated Gilts managed gains extending to ½, while the shorts eventually achieved net rises of ¼ or so.

Barclays easier

Disappointing annual results from a South African subsidiary upset Barclays, which fell 17 to 603p, and also provoked a sympathetic decline in Standard Chartered, off 15 to 495p. Midland were again anchored by rights issue possibilities and lost 5 more at 335p, but Lloyds recovered from 545p to finish unaltered at 550p. NatWest ended only a couple of pence off at 648p, after 645p. Discount Houses gave ground with Union 20 lower at 680p ahead of today's preliminary figures. Cater Allen fell 15 to 465p. Provident Financial declined 9 to 198p among Hire Purchases.

Lloyds Brokers provided one of the few firm sectors, boosted by dollar earnings potential. Stewart Wrightson rose 7 to 817p and Derek Bryant 19 further to 414p. Willis Faber, additionally aided by Press comment, closed 21 better at 666p, after 669p. Life issues drifted easier with Legal and General closing 8 down 548p and Prudential similarly lower at 515p.

In first-time dealings, Pacific Assets Trust attracted a reasonable two-way business and touched 79p prior to closing at 77½p.

A fresh bout of selling took a toll on Breweries. Although closing levels were above the day's lowest, Bass still sustained a fall of 17 at 492p, after 487p, while Allied Lyons finished 7 lower at 173p, after 170p. Scottish and Newcastle slipped 5 to 138p and Whitbread "A" 6 to 209p. Elsewhere, Distillers lost 7 to 293p.

Building issues sustained fresh falls in the face of some fairly persistent small selling, but the leaders managed a minor rally late in the session. Blue Circle, the subject of American buying last week, remained on offer and shed 10 for a two-day fall of 25 to 485p. Redland gave up 7 to 276p and Tarmac fell 8 to 486p. Housebuilders lost ground on fears about another increase in mortgage rates. Barratt Developments shed 4 to 72p, as did George Wimpey, to 105p. Elsewhere, IDC firmed 4 to 154p in reply to good annual results, while Access Satellite hardened 2 to 196p following better-than-expected interim figures. Buying in a restricted market lifted Watts Blake Bearne 4 to 214p, but profit-taking in the wake of half-yearly results left Vibroplant 8 lower at 145p.

After falling to 813p, ICI picked up to 819p before drifting off again to close 8 lower on balance at 817p.

Stores sold again

Leading Retailers ran into sustained selling brought on by fears that a rise in mortgage rates would severely curtail consumer spending. Falls ranged into double-figures for the second day running with Gussies "A" 26 down at 694p. Woolworth dropped 24 to 583p and Burton lost 21 to 440p, while Habitat cheapened 16 to 356p. British Home gave up 6 at 244p, Debenhams 5 at 196p and Marks and Spencer 3 at 120p, after 118p. The pattern elsewhere in the sector was similar with falls of around 10 seen in Freemans, 162p, Goldsmiths, 198p, and Harris Queensway, 190p. Dixons cheapened 17 to 555p and John Menzies 18 to 220p.

Leading Electricals traded on a steadier note. Racal finished a couple of pence dearer at 204p, after 198p, but Plessey closed that amount lower at 180p. GEC edged up 5 to 200p on hopes that the company's cash mountain will benefit from the rise in interest rates. Among secondary stocks, Microgen featured a jump of 100 to 910p in response to the bumper results and proposed share split. Amstrad, still reflecting Press mention, improved 8 more to 78p, but Cable and Wireless fell 16 further to 498p. Crystalate touched 212p before settling 5 cheaper on balance at 218p.

Engineering weakened with TI closing 10 down at 226p and Vickers 9 lower at 213p. Elsewhere, Babcock International gave up 7 more at 156p, while further profit-taking left Tace off 15 at 370p. Davy Corporation touched 81p before ending 5 lower on balance at 83p.

Current U.S. favourite J. Sainsbury encountered domestic profit-taking and retreated to 318p before fresh American buying left the close just 4 cheaper on balance at 330p. Rowntree Mackintosh, however, remained under pressure and lost 6 more to 342p, but Tate and Lyle rallied from 448p to close only a couple of pence cheaper on balance at 453p. S. & W. Berisford came on offer after comment on the group's borrowing costs and lost 4 to 169p. Elsewhere, Home Farm slumped 12 to 58p following poor interim results and a cautious statement, while recent high-flier Avana gave up 20 to 575p on lack of support.

Powell Duffryn weaken

Powell Duffryn fell late to 386p on news that Hanson Trust had lapsed its offer before settling 28 down on balance at 395p. Hanson Trust, down to 208p at one stage, rallied smartly to close only a penny cheaper on balance at 216p. Leading miscellaneous industrials encountered fresh offerings, but most closed above the day's lows. BTR ended 12 off at 642p, after 635p, and Beecham a like amount down at 368p. Reed International settled 10 lower at 560p, after 556p, while Boots rallied smartly from 163p to end only 4 cheaper on the day at 169p. Elsewhere, Rank Organisation responded to better-than-expected preliminary results with a rise of 8 to 318p, while A. Kershaw put on 15 to 355p. Other bright spots included Securiguard, up 6 further at 148p following favourable comment on the preliminary figures, and Nolton, 5 dearer at 55p, in response to acquisition news. In contrast, some recent high-fliers again came under selling pressure. Pearson ran back 23 to 625p and Smiths Industries 9 to 192p, while falls of around 10 were marked against Christies International, 480p, Fisons, 290p, and Peter Black, 200p. British Aerospace, finished only 5 cheaper at 358p, after 352p.

Samuelson Group, a strong market of late, fell 50 to 790p following news of a £4m rights issue.

Motors came under further selling pressure. Lucas, still reflecting recent management changes at the group's electrical division, touched 260p before closing a net 7 down at 265p. Renewed profit-taking clipped 8 more from U.S. favourite Jaguar, at 284p.

Revived takeover hopes helped Fleet Holdings resist the trend and close 4 better at 267p. Meanwhile, Haynes Publishing jumped 20 to 310p in response to the bumper interim profits.

Properties encountered fresh offerings at the outset, but the appearance of small buyers late in the session left the leaders with only minor falls on balance. Land Securities settled only a penny cheaper at 290p, after 287p, while MEPC finished 3 off at 312p, after 310p. Hammerson A, however, closed 10 down at the day's lowest of 495p and Peachey slipped 3 to 242p. Elsewhere, Ewart New Northern, which moved up to 270p on Friday following an attempt by brokers Northcote to acquire shares on behalf of a client at that price, came back 20 to 250p. Espley Trust were a weak market at 18p, down 5, but London and Edinburgh attracted fresh support in a restricted market and rose 8 more to 232p, after 236p. Buyers also came for Marler Estates, up 7 at 138p.

In Shippings, P & O Deferred fell 8 more to 390p, after 388p.

In Textiles, Lister reflected revived speculative demand with a rise of 3 to 81p. Courtaulds held up well at the overnight level of 137p, but Dawson International fell 6 to 276p and Allied cheapened 4 at 350p.

Bats were sold down to 350p before rallying to close 5 easier on balance at 355p. Elsewhere in Tobaccos, Imps dipped 5 to 190p and Rothmans International relinquished 4 to 186p.

Prime takeover candidate Britannia Arrow dropped 11 to 98p, after 94p, on news that *Guinness Peat had* acquired a 23 per cent stake in the company from the United Kingdom Temperance and General Provident Institution and would not bid for the outstanding equity; G.P. closed 2 easier at 68p, after 65p. Elsewhere in Finsocial Trusts, stockjobbing concern Smith Bros fell 8 to 106p and Robert Kitchen Taylor 8 to 162p.

Oils nervous

The steady stream of conflicting news items emerging from the Opec meeting in Geneva ensured a nervous session in oils. Once again the leaders were marked down at the outset but gradually recovered to close with modest losses on balance. Initially down to 495p, BP subsequently rallied to end the day only 5 off at 500p, while falls of around 3 were common to Britoil, 200p, after 197p, Enterprise Oil, 174p, LASMO, 328p, and Shell, 703p. Ultramar dipped to a 1984-85 low of 193p but settled 3 cheaper on balance at 195p.

Traditionally volatile Irish exploration stocks provided a firm feature in Bryson Oil and Gas which jumped 25 to 95p amid rumours of an imminent announcement. Eglinton were also in demand and put on 3 to 58p.

Elsewhere, current speculative favourite Falcon Resources touched a year's best of 330p before closing 3 harder at 325p.

Golds rally

The moves by the South African authorities to relieve the pressure on the rand—including the change in the method of paying the gold mines which will now receive their payments half in dollars and half in rands—gave a mild boost to the recently depressed gold share market.

Gold shares opened the day on a steady note and edged higher during the morning, helped by a firm showing by the bullion price which closed a net $4.75 higher at $302.75 an ounce.

In the afternoon the changes in payments method encouraged renewed support for Golds, mainly from Continental operators, and share prices closed around the day's best levels. The Gold Mines index moved up 5.8 to 446.1.

London-based Financials were unsettled by the latest bout of weakness in domestic equities, but rallied later in the day reflecting the sharp rise in copper prices on the LME. RTZ ended the day a shade harder at 633p, after 628p and Charter settled unaltered at 200p, after 197p.

Minorco continued their recent upsurge, advancing 20 more to 740p on renewed American buying.

Top-quality diversified Australian issues made rapid progress in overnight Sydney and Melbourne markets and continued to gain ground in London, reflecting the good showing by precious and base-metal prices. Western Mining were outstanding and closed 13 higher at 231p, while CRA added 9 at 386p. MIM Holdings rose 7 to 181p and Bougainville 6 to 138p.

Business in Traded Options centred largely upon the FT-SE 100 and British Telecom; of the 13,807 total number of contracts transacted yesterday, the former accounted for 3,208 and BT 2,906.

FINANCIAL TIMES STOCK INDICES

	Jan. 29	Jan. 28	Jan. 25	Jan. 24	Jan. 23	Jan. 22	year ago
Government Secs.	78.40	78.02	78.62	79.32	80.00	80.20	83.02
Fixed Interest	82.48	82.17	84.14	84.03	84.24	84.14	87.41
Ordinary	961.8	977.8	1,002.8	991.7	1003.7	1024.5	821.4
Gold Mines	446.1	440.3	438.5	442.9	454.3	453.0	543.8
Ord. Div. Yield	4.48	4.41	4.29	4.33	4.30	4.26	4.35
Earnings, Yld.% (full)	11.12	†11.05	10.72	10.84	10.74	10.36	9.20
P/E Ratio (net) (*)	10.73	†10.89	11.30	11.08	11.18	11.56	15.28
Total bargains (Est.)	33,122	32,410	31,486	33,447	28,535	33,292	28,302
Equity turnover £m.	—	483.13	473.14	582.55	578.45	597.99	311.80
Equity bargains	—	28,771	28,101	26,557	30,116	34,940	23,668
Shares traded (ml)	—	835.5	854.8	294.2	279.4	267.3	174.2

10 am 982.8. 11 am 960.9. Noon 961.4. 1 pm 958.1.
2 pm 962.5. 3 pm 959.8.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Ordinary 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

Latest Index 01-246 8026.

Nil=10.39.

† Corrected.

HIGHS AND LOWS

—	1984/85 High	1984/85 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Sec.	86.77 (9/1/84)	75.72 (30/7/84)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	87.48 (14/3/84)	80.45 (30/7/84)	150.4 (28/11/47)	50.53 (3/1/75)
Ordinary	1024.5 (22/1/85)	755.3 (25/7/84)	1024.5 (22/1/85)	49.4 (26/6/40)
Gold Mines	711.7 (9/3/84)	438.5 (25/1/85)	734.7 (15/2/83)	43.5 (26/10/71)

S.E. ACTIVITY

	Jan. 28	Jan. 25
Daily		
Gilt Edged Bargains	183.3	145.6
Equities Bargains	186.4	162.1
Value	675.5	255.3
5day Average		
Gilt Edged Bargains	157.5	150.8
Equities Bargains	196.1	167.6
Value	1067.5	1020.7

NEW HIGHS AND LOWS FOR 1984/5

NEW HIGHS (51)

CANADIANS (10)
Bk. of Montreal; Imperial Oil; Bk of Nova Scotia; Inland Nat. Gas; BCE; Royal Bank of Can.; Can. Pac. Entrprs.; Toronto-Dominion Bk.; Hawker Sidd. Can.; Trans Canada Pipe

STORES (2)
Church; WW Group

ELECTRICALS (6)
Britkar; Northern Telecom; JSD Computer; Perkin-Elmer 4pc; Microbeim Repros.; Conv. 1980-95; Microgen; Microgen

ENGINEERING (1)
Spirax-Sarco

FOODS (2)
British Vending; Global Group

HOTELS (1)
London Park Hotels

INDUSTRIALS (8)
Avon Rubber; Lond. Midland Indts.; CH Industrials; Do. Defd.; Electrolux B; Russell (A.); Macfarlane; UDO Hldgs.

INSURANCE (4)
Bryant (Derek); Stewart Wrightson; Reed Stnhouse, Cl. C; Willis Faber

NEWSPAPERS (1)
Haynes Publishing

PROPERTY (3)
SALA; Whittington Intl.; Lond. Edinb. Trust

TEXTILES (1)
Olsen (David)

TRUSTS (8)
Argo Inv.; TR North America; European Assets; Witan Inv.; Fleming American; Kalleck Trust; Murray Intl. D; Do. Cnv. Pf.

OILS (1)
Falcon Resources

OVERSEAS TRADERS (2)
African Lakes; Steel Bros.

MINES (1)
Tara Exploration

NEW LOWS (30)

LOANS (7)
Nationwide 11¼pc 15/7/85; Nationwide 11pc 14/10/85; Do. 12¼pc 5/10/85; Do. 10¼pc 11/11/85; Do. 10¼pc 27/8/85; Do. 10¼pc 9/12/85; Do. 11¼pc 9/9/85

AMERICANS (1)
FPL

BUILDINGS (1)
Tysons (Contractors)

CHEMICALS (1)
ICI 5pc Cum. Prf.

STORES (3)
Gabicci; Hollas; Gaunt (Rowland)

ELECTRICALS (4)
CPU Computers; Pressac; Plessey; STC

FOODS (1)
Home Farm Prods.

LEISURE (1)
Radio City A N-V

PROPERTY (3)
Control Secs.; Slough Ests. 11¼pc; Lond. Provl. Shop; Db. 2018

SHOES (1)
Headlam Sims

TEXTILES (1)
Kingsley & Forester

OILS (5)
B.P. 9pc Cum. Prf.; Shell Trans. 7pc 2nd Prf.; Charterhall; Monument Oil Gas; Ultramar

MINES (1)
President Brand

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tue Jan 29 1985 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (ACT at 30%)	Est. P/E Ratio (Net)	Mon Jan 28 Index No.	Fri Jan 25 Index No.	Thur Jan 24 Index No.	Wed Jan 23 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (207)	539.06	−0.9	9.87	4.03	12.68	543.76	556.72	552.59	562.92	489.76
2	Building Materials (23)	485.82	−1.5	13.21	5.12	9.30	493.13	506.18	503.55	509.07	476.94
3	Contracting, Construction (30)	709.49	−2.2	13.63	5.56	9.40	725.76	748.67	738.31	747.42	735.98
4	Electricals (15)	1581.34	−1.3	10.27	4.72	12.31	1602.14	1633.12	1613.55	1646.53	1759.52
5	Electronics (36)	1761.19	+0.9	8.36	2.76	15.42	1744.82	1792.60	1785.05	1837.77	1652.16
6	Mechanical Engineering (60)	283.26	−2.3	11.81	5.13	10.30	289.97	295.01	291.96	295.90	236.54
8	Metals and Metal Forming (8)	170.67	−2.1	13.25	7.60	9.31	174.31	178.80	178.67	181.02	198.99
9	Motors (18)	151.26	−2.4	11.63	5.08	10.73	154.90	159.39	159.48	160.05	136.45
10	Other Industrial Materials (17)	884.56	−1.5	5.71	3.27	22.00	898.43	916.75	909.11	918.62	625.18
21	CONSUMER GROUP (179)	619.84	−1.8	9.37	3.84	12.90	631.50	644.09	637.56	643.06	487.89
22	Brewers and Distillers (23)	563.40	−2.4	12.82	4.75	10.24	576.99	591.61	579.88	586.72	476.36
25	Food Manufacturing (20)	485.49	−0.9	12.11	4.78	10.34	490.02	501.42	500.67	503.15	393.65
26	Food Retailing (12)	1464.11	−1.3	6.53	2.41	20.40	1484.05	1485.29	1477.66	1494.45	1181.27
27	Health and Household Products (9)	1034.87	−1.1	5.51	2.56	21.33	1046.82	1072.89	1067.72	1069.80	746.90
29	Leisure (23)	674.67	−2.1	8.34	4.84	15.48	688.99	699.11	694.49	703.13	644.22
32	Newspapers, Publishing (11)	1632.53	−0.7	7.39	4.51	17.24	1644.78	1677.21	1660.72	1668.65	1213.54
33	Packaging and Paper (14)	307.19	−1.4	12.04	4.77	9.67	311.63	319.68	315.37	316.30	242.20
34	Stores (45)	531.42	−3.1	7.62	3.51	15.91	548.30	564.19	554.78	561.51	435.29
35	Textiles (19)	306.86	−0.9	12.99	4.56	8.87	309.76	316.96	314.19	319.48	279.28
36	Tobaccos (3)	924.25	−1.6	13.56	4.15	8.22	939.65	942.66	935.59	941.38	566.60
41	OTHER GROUPS (97)	653.75	−1.3	9.05	4.00	14.03	662.59	674.09	670.97	675.87	442.04
42	Chemicals (17)	789.22	−1.1	11.39	4.14	11.21	798.17	807.08	799.76	797.05	628.88
44	Office Equipment (4)	166.58	+1.7	6.79	4.61	16.73	163.84	170.74	170.44	173.54	135.30
45	Shipping and Transport (13)	1092.15	−0.9	7.92	4.46	16.14	1102.24	1126.69	1109.33	1108.54	878.66
46	Miscellaneous (61)	820.91	−1.3	7.93	3.40	15.33	831.38	853.25	846.38	852.30	571.67
48	Telephone Networks (2)	764.37	−1.7	8.76	4.21	14.90	777.84	790.11	788.91	799.73	0.0
49	INDUSTRIAL GROUP (483)	616.26	−1.3	9.42	3.93	13.12	625.07	638.25	632.96	639.07	486.89
51	Oils (17)	1106.02	−0.9	15.77	6.79	7.84	1116.16	1138.31	1117.03	1116.64	1067.74
59	500 SHARE INDEX (500)	657.33	−1.4	10.27	4.32	12.05	666.55	680.21	673.69	679.97	535.61
61	FINANCIAL GROUP (117)	441.69	−0.8	—	4.99	—	445.31	452.06	445.05	446.41	392.23
62	Banks (6)	451.60	−1.1	18.87	6.25	6.71	456.57	460.65	451.65	448.41	415.28
65	Insurance (Life) (9)	584.80	−1.2	—	4.63	—	591.77	599.99	594.31	598.24	543.28
66	Insurance (Composite) (7)	316.61	−0.5	—	5.90	—	318.09	324.19	316.74	318.58	259.75
67	Insurance (Brokers) (6)	1141.11	+1.4	6.75	3.03	20.55	1125.21	1140.33	1110.65	1104.68	665.24
68	Merchant Banks (12)	233.21	+0.4	—	4.60	—	232.38	238.92	238.50	244.13	251.18
69	Property (52)	620.21	−0.7	5.47	3.60	24.35	624.84	635.93	629.70	633.65	550.31
70	Other Financial (25)	280.88	−2.6	9.37	5.53	12.92	288.34	292.31	287.70	289.05	260.81
71	Investment Trusts (105)	598.84	−0.1	—	3.25	—	599.32	605.35	601.24	603.93	510.98
81	Mining Finance (4)	286.34	—	10.31	5.29	12.30	286.40	290.57	291.05	293.07	312.99
91	Overseas Traders (14)	666.47	−0.1	8.80	5.83	13.91	667.33	679.19	675.57	679.94	568.48
99	ALL-SHARE INDEX (749)	601.35	−1.2	—	4.39	—	608.62	620.20	613.93	618.89	501.36
		Index No.	Day's Change	Day's High	Day's Low						
	FT-SE 100 SHARE INDEX	1249.3	−16.5	1257.6	1240.5	—	1265.8	1288.0	1274.7	1283.7	

FIXED INTEREST

	PRICE INDICES	Tue Jan 29	Day's change %	Mon Jan 28	xd adj. today	xd adj. 1985 to date
	British Government					
1	5 years	114.62	+0.21	114.38	—	1.16
2	5-15 years	123.92	+0.59	123.19	—	0.98
3	Over 15 years	130.08	+0.23	129.79	—	0.00
4	Irredeemables	141.67	+0.40	141.10	—	0.00
5	All stocks	123.35	+0.40	122.86	—	0.92
6	Debentures & Loans	104.49	−0.60	105.12	—	0.15
7	Preference	75.44	−0.55	75.85	—	0.30
	BRITISH GOVERNMENT INDEX-LINKED STOCKS					
8	All stocks	107.38	−0.01	107.39	—	0.18

	AVERAGE GROSS REDEMPTION YIELDS		Tue Jan 29	Mon Jan 28	Year ago (approx.)
	British Government				
1	Low	5 years	11.54	11.56	9.72
2	Coupons	15 years	11.12	11.20	10.09
3		25 years	10.72	10.64	9.69
4	Medium	5 years	12.26	12.39	11.00
5	Coupons	15 years	11.58	11.63	10.68
6		25 years	10.97	10.97	10.05
7	High	5 years	12.36	12.53	11.17
8	Coupons	15 years	11.73	11.76	10.34
9		25 years	11.03	10.99	10.17
10	Irredeemables†		10.45	10.49	9.68
11	Debs &	5 years	12.63	12.38	11.52
12	Loans	15 years	12.37	12.29	11.52
13		25 years	12.37	12.29	11.52
14	Preference†		13.14	13.09	12.13
15	Inflation rate	5%	3.49	3.49	3.21
16		10%	3.38	3.38	3.83

†Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 28p.

EUROPEAN OPTIONS EXCHANGE

Series		Feb. Vol.	Feb. Last	May Vol.	May Last	Aug. Vol.	Aug. Last	Stock
GOLD C	$300	—	—	5	17.60	10	24	$303.10
GOLD C	$320	—	—	—	—	12	15	"
GOLD C	$340	—	—	—	—	10	7.10	"
GOLD C	$350	—	—	3	3.40	—	—	"
GOLD P	$280	—	—	—	—	52	5	"
GOLD P	$300	16	4	4	10	23	12	"
GOLD P	$325	3	25.30	—	—	—	—	"
		Mar.		June		Sept.		
SILVER C	$550	—	—	7	120	—	—	$624
SILVER C	$600	11	40	15	75	—	—	"
SILVER C	$650	2	11	10	55	6	55	"
SILVER C	$800	5	1	10	10	—	—	"
SILVER P	$550	—	—	1	15	—	—	"
$/FL C	Fl.340	—	—	10	20	—	—	Fl337.88
$/FL C	Fl.345	—	—	—	—	10	17 B	"
$/FL C	Fl.350	—	—	—	—	10	13	"
$/FL P	Fl.355	2	7 A	25	11	—	—	"
$/FL P	Fl.360	5	4	3	6	—	—	"
$/FL P	Fl.365	25	2.10	10	6	—	—	"
$/FL P	Fl.320	4	0.20	—	—	—	—	"
$/FL P	Fl.340	55	1.40	—	—	—	—	"
$/FL P	Fl.345	141	2.30	—	—	7	11	"
$/FL P	Fl.350	37	5.40	10	6.50	73	15.20	"
$/FL P	Fl.355	15	5.20	—	—	—	—	"
$/FL P	Fl.360	13	7.80	—	—	—	—	"
$/DM P	DM315	—	—	2	11.70	—	—	DM316.52
£/$ C	$110	—	—	20	3.50	4	4.10	$112.80
£/$ C	$113	—	—	—	—	28	2.40	"
		Apr.		July		Oct.		
ABN C	Fl.400	56	7.80	8	11	4	15	Fl.378
ABN P	Fl.360	32	4.80 A	11	10	—	—	"
AEGN C	Fl.170	152	2.20	31	5.40	—	—	Fl.167.50
AEGN P	Fl.160	194	6.50 B	23	2	—	—	"
AH C	Fl.180	32	24.20	—	—	—	—	Fl.213
AH P	Fl.190	70	1.30	—	—	—	—	"
AKZO C	Fl.100	1050	6.20	184	7.80	52	9.60	Fl.100.50
AKZO C	Fl.110	295	2.40	348	5.90	70	5.70	"
AKZO P	Fl.100	1217	8 B	816	6.50	52	7.40 B	"
AMRO C	Fl.70	83	4.60	4	6.20	—	—	Fl.72
AMRO P	Fl.70	65	2.10 B	40	5.20	20	4.50	"
GIST C	Fl.180	78	6.50	21	8	—	—	Fl.176.50
GIST P	Fl.170	62	2.80	8	4.40	—	—	"
HEIN C	Fl.150	86	3.30 A	1	4	10	6.50	Fl.152.50
HEIN P	Fl.150	138	3.20	0	6	4	6.20	"
HOOG C	Fl.70	402	1.10	80	2.20	—	—	Fl.61.50
HOOG P	Fl.60	556	2	110	2.90	5	3.50 B	"
KLM C	Fl.60	457	2.50	21	4	60	4.70 B	Fl.47.60
KLM P	Fl.45	321	1.40	—	—	—	—	"
NEDL C	Fl.150	106	13.50	10	14 B	—	—	Fl.158.80
NEDL P	Fl.150	31	2.20 A	2	6.50	6	8	"
NATN C	Fl.290	80	8.30	5	12	1	14	Fl.270
NATN P	Fl.270	70	6.70	18	11	—	—	"
PETR C	Fr.8000	07	30	22	100	—	—	Fr.6550
PETR P	Fr.7000	31	400	7	580	—	—	"
PHIL C	Fl.60	591	1.20	217	2.70 B	81	3.70	Fl.59
PHIL P	Fl.50	178	0.40	33	6.50	3	4.40	"
RD C	Fl.180	434	8.80	46	8	21	10	Fl.181.60
RD P	Fl.180	507	4.50	75	0.80	6	11.90	"
UNIL C	Fl.340	71	8.50	25	10.10	2	14	Fl.331.50
UNIL P	Fl.320	118	5.70	—	—	61	14.10	"

TOTAL VOLUME IN CONTRACTS: 23,709.

A=Ask B=Bid C=Call P=Put

RECENT ISSUES

EQUITIES

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −	Net Div.	Times covered	Gross Yield	P.E. Ratio
$10	F.O.	—	13½	12	✠B'nnett&Fount'n 10p	13½	+½	bg0.42	1.8	4.8	15.1
‖ ‖	F.P.	—	105	88	GBC Capital	104	.....	Q2.4	—	1.4	—
‖ ‖	F.P.	—	27	21	Do. Warrants	26	.....	—	—	—	—
**	F.O.	1/2	25	21	Jap.AssetsTstWar'nts	22½	.....	—	—	—	—
$55	F.P.	5/2	57	50	✠Optometrics(U.S.A.)	50	−5	Q2c	—	3.4	—
100	75	—	79	77	Pacific Assets Tst.50p	77½	.....	—	—	—	—
92	F.P.	24/1	95	87	ProcessSystems$0.025	87	−2	Q0.25c	2.2	9.2	..
$68	F.P.	—	95	82	✠Spafax Television	83	−2	b2.0	2.8	5.4	15.1
$174	F.P.	—	213	200	✠Syn'pse C'p. S'rv 5p	205	.....	bgd1.5	8.1	1.1	28.8
$95	F.P.	—	139	120	✠Whitworth'sFood5p	120	−2	ud2.0	1.5	5.4	32.0
20	F.P.	21/1	23½	20½	Williams (Rex) Leis.5p	21½	+½	u0.01	1.4	8.1	14.p

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price £	+ or −
81.574	£50	10/4	34¼	27	African Dev. Bank 11½% Ln. 2010	88½	+½
$100	F.P.	11/1	102½	100	Comm Bk of Wales15½% SubUns Ln 95-97	100½	.....
‖	F.P.	22/2	187	108	F. & C. Eurotrust 5¼% Cnv. Ln. '95	128	−1
‖100	F.P.	22/2	118p	108p	FII 7.7% Cnv. Cum. Red. Prf. £1	108p	−1
$101	£51	15/2	54	50	Felixstowe Dock Prf. Units †	51	.....
‖	Nil	—	103	99	Greycoat Offices 12.85% Uns. Ln. 1990-92	99¼	+¼
¶¶	F.P.	1/3	98	50	Grovebell 7.5% Cnv. Red. Cum. Pref.	50	.....
85.81	£30	16/6	30⅛	24	Int.-Am. Dev. Bk. 3¼ Ln. 2015	25	.....
99.181	F.P.	17/1	104½	85½	Intl. Bk. for Recon. & Dev. 11½% Ln. 2003	97	+¾
‖	F.P.	1/2	102	103	Jap. Assets Tst. 4½% Uns. Cnv. Ln. 1994	103	−2
‖	F.P.	1/2	152p	150p	Johnson Matthey 8% Cnv. Cum. Prf.	145p	+5
‖	F.P.	18/1	92	90	Lifecare Intl. 9½% Cv. Cum.Red. Prf. 1996	88	.....
£9.0128	£25	15/5	88⅞	24½	Lon. Shop Prop. 11¼% 1st Mort. Deb. 2018	25¾	+⅛
¶¶	Nil	—	10pm	8pm	Mountleigh 5½% Conv. Unsec. Ln. 2005	10pm	+2
—	F.P.	—	100½	97⅛	Nationwide Bldg. Soc. 10⅝% 15/12/86	97⅞	−⅛
—	F.P.	—	99¼	98⅛	Do. 12% 3/2/86	98⅞	−⅛
¶¶	F.P.	—	60p	58p	Simpn Engn. 4% Cm. Rd. Prf. '84-96	58p	.....
¶¶	F.P.	—	64p	63p	Do. 5.4% Cm. Rd. Prf.	64p	.....
¶¶	F.P.	—	79p	76p	Do. 5.35% Cm. Rd. Prf. '81-86	76p	.....
¶¶	F.P.	—	88p	86p	Do. 7.75% Cm. Rd. Prf. '82-87	88p	.....
1,275	£20	27/5	24⅞	17½	Swedon 11% Ln. 2012	18¾	+½
¶¶	F.P.	—	128p	108p	✠Tech. for Bus. 7% Cum. Cv. Rd. Pf.	105p	−3
¶¶	F.P.	6/1	161	126	Tomkins (F. H.) 8¼% Cnv. Ln. '94	151	−5

"RIGHTS" OFFERS

Issue price	Amount paid up	Latest Renunc. date	1984/85 High	1984/85 Low	Stock	Closing price	+ or −
84	F.P.	8/2	75	58	Bairstow Eves 5p	73	−2
60	F.P.	16/2	185	105	*Burgess Prods.*	125	.....
486	F.P.	8/2	585	560	Carlton Comms.	650	−5
86	F.P.	4/6	122	92	Carr's Milling	122	.....
50	F.P.	13/2	55	55	Dura Mill 3½p	85	+2
80	F.P.	1/6	120	23	LCP Hldgs.	114	−1
fr.18	Nil	—	1pm	½pm	✠Memory Computer 10p	½pm	.....
24	F.P.	13/2	25	24½	✠Morris (W.) Fine Arts 20p	23	+½
255	F.P.	8/2	310	285	Pilkington Bros. £1	888	−2
38	Nil	—	6½pm	5pm	Premier Cons. 5p	3pm	−½
58	F.P.	—	56	52	✠Steaua Romana R/V	38	.....
17	Nil	—	5½pm	2½pm	Walker (C. & W.) 15p	2½pm	−1½
250cts	Nil	—	70pm	60pm	Westpac $A1	70pm	+1

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. g Assumed dividend and yield. u Forecast dividend cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1985. H Dividend and yield based on prospectus or other official estimates for 1984. Q Gross. p Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▮ Allotment letters or fully-paid. ▮▮ Introduction. ✠ Unlisted Securities Market. ‡ Placing price. † Figures assumed. †† Official London Listing. ‡‡ Dealt in under Rule 535(3). † Comprising 100 Prf. and one Prg. share.

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Jan 21	Feb 1	April 25	May 7
Feb 4	Feb 15	May 9	May 20
Feb 18	March 1	May 30	June 10

For rate indications see end of Share Information Service

Money was given for the call of Falcon Resources, LDH, Combined Technology, Commercial *Union, Acorn Computer,* Charterhall, Cronite, Atlantic Resources, British Telecom, Jaguar, Metal Exploration, Mid East Minerals, W. H. Smith A, LCP, Eglinton Oil, Bryson, Lonrho, Cosalt, Forward Technology, Cluff Oil, Premier Consolidated, Amstrad, IMI and LRC. No puts or double options were reported.

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	87	5	6
Corpns. Dom. & Foreign Bonds	30	20	23
Industrials	149	682	617
Financial & Props	82	210	253
Oils	16	43	65
Plantations	3	6	5
Mines	52	13	113
Others	31	129	50
Totals	450	1,112	1,136

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday.

Stock	Closing price	Day's change
Boots	169	−4
Britannia Arrow	98	−11
Brit Home Stores	244	−6
Burton	440	−21
Commercial Union	194	−3
Debenhams	196	−5
Dixon's Group	555	−17
GUS "A"	694	−26
Hanson Trust	212	−1
Sedgwick	376	+4
Trafalgar House	358	−6
Willis Faber	666	+21

Based on bargains recorded in Stock Exchange Official List.

MONDAY'S ACTIVE STOCKS

Stock	No. of changes	Mon. close	Day's change
BTR	23	654	−16
Sainsbury (J.)	23	334	+10
Synapse Comp.	21	206	—
Thorn EMI	20	435	−15
Hanson Trust	19	217xd	−11
Britannia Arrow	18	109	−6
ORG	18	171	−7
ICI	18	825	−3
Shell Trans	18	707	−10
BAT Inds	17	360	—
BP	17	505	−12
Brit Telecom	17	124	−3
Cable & Wire	17	514	−11
Falcon Res	17	322	+2

LONDON TRADED OPTIONS

Option		Calls Apr.	Calls Jly.	Calls Oct.	Puts Apr.	Puts Jly.	Puts Oct.
B.P. (*498)	380	117	—	—	1½	—	—
	420	87	—	—	5	—	—
	460	50	50	67	11	17	80
	500	26	57	47	27	57	43
	550	10	18	24	58	73	80
Cons. Gold (*484)	460	47	50	70	12	20	25
	500	26	37	45	35	48	58
	550	6	16	86	80	90	85
Courtaulds (*155)	110	26	58	—	1½	2	—
	180	18	88	—	2	4	—
	130	15	15	—	6	2	—
	140	0	11	15	12	15	17
	150	4	6	7	26	27	26
Com. Union (*194)	160	37	40	—	3	3	—
	180	81	24	88	2	12	15
	200	14	17	20	16	22	25
	280	5	—	—	36	—	—
G.E.C. (*200)	160	46	—	—	2	—	—
	180	28	—	—	3	—	—
	800	14	22	28	12	14	18
	220	6	11	16	86	28	32
	240	1	4	—	42	42	—
Grand Met. (*265)	280	20	28	55	8	14	50
	300	15	22	28	25	55	36
	330	5	12	17	55	58	62
I.C.I. (*819)	550	180	184	—	2	4	—
	700	130	154	—	2	7	—
	750	80	90	—	18	18	—
	800	42	62	70	27	35	43
	850	20	35	45	87	74	80
Land Sec. (*290)	280	37	—	—	2	—	—
	280	12	55	31	5	10	18
	300	11	17	28	18	22	84
	330	5	7	—	48	45	—
Marks & Sp. (*122)	100	86	—	—	1½	—	—
	110	18	20	—	6½	5	—
	180	8	13	18	7¾	18	14
	130	4½	6	10	14	18	20
Shell Trans. (*703)	500	815	—	—	2	—	—
	550	165	—	—	5	—	—
	600	115	183	—	7	13	—
	650	7P	80	87	18	22	27
	700	37	42	53	51	40	47
	750	14	80	28	55	70	77
Traf'gar Hse (*358)	280	84	—	—	2	—	—
	600	64	68	—	2	6	—
	330	43	48	—	6	10	—
	360	10	25	50	16	20	26
	380	6	13	16	57	40	43

Option		Calls Feb.	Calls May	Calls Aug.	Puts Feb.	Puts May	Puts Aug.
BAT Inds. (*365)	280	80	88	98	1	6	5
	300	60	68	78	2	4	P
	650	35	46	50	6	10	20
	360	11	25	3P	23	30	30
Barclays (*607)	460	152	167	—	2	e	—
	500	112	117	127	2	6	7
	650	62	70	80	3	12	80
	600	20	62	4P	17	28	07
	660	6	10	20	46	60	07
Bt. Telecom (*125)	80	46	45	47	0½	P½	1
	80	53	56	37½	0½	1	1½
	100	26	26	26½	0½	2	6
	110	14	16½	10½	1½	3½	4½
	1PP	7½	16	16	4	8	1P
	130	3	8	10	11	14	15½
	140	1	6	6½	20½	22½	24½

Option		Calls Feb.	Calls May.	Calls Aug.	Puts Feb.	Puts May.	Puts Aug.
Imperial Gp. (*182)	160	38	56	40	1	5	4
	180	15	81	24	4	e	14
	200	5	14	20	13	12	86
	220	2½	7	11	28	33	36
LASMO (*328)	600	55	45	58	4	11	14
	330	20	30	40	15	27	58
	360	5	24	28	40	60	52
Lonrho (*177)	140	52	41	43	1	1½	3
	160	18	23	24	2	6	0
	180	6½	10	13½	11	17	10
P. & O. (*386)	500	25	98	100	1½	1½	2
	550	65	73	80	2	5	7
	350	40	47	60	3	15	20
	590	18	27	40	20	32	40
	420	5	16	87	40	40	55
Racal (*204)	220	5	12	20	20	28	26
	240	1	5	10	38	35	40
	250	1	3	5	58	58	60
	880	1	2	6	78	78	80
R.T.Z. (*634)	560	87	100	107	8	6	15
	600	42	60	70	e	27	68
	530	10	50	35	57	47	60
Vaal Reefs (*$79)	70	10	16½	15½	1	4	7½
	80	6½	e	12	4¾	2½	12½
	80	0¾	e½	2	12	15½	18½
	100	0¼	2¼	5½	22	24½	65
Ex.10% 1989 (*£92)	02	1⅛	3¼	2¼	0⅛	1⅜	1½
	94	0½	1¼	1⅛	e	2⅛	2¾
	26	0¼	0⅝	1½	5½	4	4¼
	98	0⅛	0½	0½	5½	5	5⅞

Option		Calls Mar.	Calls Jun.	Calls Sept.	Puts Mar.	Puts Jun.	Puts Sept.
BTR (*641)	650	50	40	50	50	40	47
	700	11	20	23	57	72	80
Beecham (*568)	350	45	50	—	2	4	—
	560	25	35	45	6	14	16
	390	9	14	18	33	38	43
Bass (*492)	380	112	126	—	2	2½	—
	420	62	22	—	3	6	—
	460	52	56	72	5	80	20
	600	82	34	47	87	35	42
	550	8	17	26	66	72	77
De Beers (*$4.15)	390	47	65	75	1P	23	32
	420	35	44	52	25	45	57
	460	24	28	30	80	75	88
	600	2	18	—	80	100	—
GKN (*128)	160	56	42	—	2	2	—
	180	18	8e	51	5	2	11
	200	3	14	20	14	17	20
	220	5	0	10	2e	52	57
Hanson (*212)	173	46	48	—	1	2	—
	187	30	34	39	1½	3	6
	200	10	24	31	6	8	11
	22P	12	17	23	14	18	22
	240	4	8	10	31	64	37
Jaguar (*258)	220	63	71	80	1½	2	6
	240	49	61	60	1½	3	6
	P60	29	34	41	5	6	10
	280	1P	24	28	1P	16	10
	300	18	16	20	26	28	32
Tesco (*224)	180	47	02	—	2	6	—
	200	22	36	—	4	e	—
	280	16	20	27	10	12	16
	240	3	8	10	21	26	29
FT-SE Index (*1340)	1100	155	180	—	P	8	—
	1125	150	155	—	4	18	—
	1150	107	117	—	2	22	—
	1175	87	100	—	13	28	—
	1200	88	84	95	25	42	e3
	1250	40	55	72	42	57	73
	1500	22	57	47	72	88	100

Jan. 22. Total contracts. 15,807 Calls 7,236. Puts 5,871

* Underlying security price.

LONDON SHARE SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BEERS, WINES—Cont.

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
280	220	Young Brew "A" 50p	240		15.5	2.8	3.3	21.4
180	120	Do Non V. 50p	160		15.5	2.0	4.4	14.3

BUILDING, TIMBER, ROADS

1984-85 High	Low	Stock	Price	+ or –	Div Net	C'vr	Y'ld Gr's	P/E
261	186	AMEC 50p	254	–3	10.0	2.4	5.6	9.7
202	157	Aberdeen Const.	194	–2	6.5	2.7	4.6	10.0
200	164	Access Satellite 5p	196	+2	2.0	2.5	1.5	38.4
31	15	Allied Plant 5p	23		8—	—	—	—
35	22	Amco Ind Hldgs.	22		—	—	—	—
77	38	Arncliffe 10p	46		2.66	2.1	[illegible]	6.8
111	61	Attwoods	89	–1	3.5	1.8	5.6	15.6
317	232	BPB Inds. 50p	253	–2	7.0	3.5	4.0	9.1
220	124	Baggeridge Brick	212	–4	6.25	3.7	4.2	9.1
45	27	Bailey (Ben) 10p	28		1.8	2.9	9.2	5.1
82	20	Baldwin (H. J.) 10p	30		—	—	—	22.8
188	72	Barratt Dev. 10p	71	–4	7.62	1.7	15.1	4.7
162	115	Bellway	128	–4	7.0	2.0	7.8	8.5
77	55	Benford M. 10p	66		3.75	1.2	8.1	15.0
153	96	Berkeley Group	150		3.6	2.6	3.4	16.0
63	45	Bett Bros. 20p	60		3.1	♦	7.6	♦
606	349	Blockleys 20p	565	–5	21.0	2.5	5.3	14.5
520	355	Blue Circle £1	485	–10	19.0	2.9	5.6	7.0
216	184	Breedon Lime	202		0.4	1.3	5.9	18.8
69	46	Brickhouse Dudley 10p	65	–1	3.2	1.2	7.0	11.8
166	66	BB & EA	140		13.0	4.8	3.1	8.2
70	47	Brit. Dredging	57		2.0	2.7	5.0	9.8
24	15	Brown Jksn. 20p	18		8—	—	—	6.5

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

HOTELS—Continued

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

هكذا الأصل

INDUSTRIALS—Continued

LEISURE—Continued

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

PROPERTY

INSURANCES

LEISURE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc

OIL AND GAS

OVERSEAS TRADERS

Price	+ or −	Div Net	Cvr	Y'ld Gr's
112	+4	1.1	9.5	1.4 | 18.0
26		0.5	5.5	2.7 | 7.3
64	−1	$0.5	—	‡ | —
134	−2	th3.67	2.3	3.9 | 12.7
4		φQ12c	6.7	— | —
156	−2	10.0	1.7	9.2 | 7.8
£59		Q12%	φ	2.0 | φ
463	−2	th17.0	1.2	5.2 | 21.8
428	+2	18.15	0.9	6.1 | (28.3)
31		1.0	4.6	4.6 | 7.8
176	+1	†9.0	1.5	7.5 | (20.3)
53		3.5	—	9.4 | —
45	−1	2.95	1.1	9.4 | (13.2)
128	−1	5.15	4.2	5.7 | 4.4
123	−2	5.15	4.2	5.9 | 4.3
343	−5	1.0	4.1	0.4 | (72.5)
65		tQ10.8c	1.6	6.6 | 9.4
520	+5	13.0	2.7	3.6 | 11.6
27		—	—	— | 4.0

PLANTATIONS

Rubbers, Palm Oil

Price	+ or −	Div Net	Cvr	Y'ld Gr's
232	−3	†4.0	2.1	2.5
3½	...	—	—	—
155	−2	g1.17	1.8	1.1
105	+1½	vQ26c	1.1	8.6
11		—	—	—
221	+7	vQ19c	1.1	5.5
92	..	hQ17.5c	0.9	6.6
95	+3	vQ15c	φ	5.1
54	−1	vQ18c	1.3	11.6
84	−2	1.35	2.1	2.5

Teas

Price	+ or −	Div Net	Cvr	Y'ld Gr's
£30		6.0	1.7	0.9
£15½		30.0	4.4	2.8
307xc	−3	h5.75	4.5	2.1
216		8.4%	7.6	5.6
785	−5	10.0	18.1	1.8
360	−2	15.0	3.1	2.0
590	−10	20.0	3.9	4.8

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Diamond and Platinum

Central African

MINES—Continued

Finance

Australians

Tins

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
68	50	♥Supreme Corp M$1	55		ttQ3½c	φ	2.2
475	240	Tanjong 15p	275		g3.5	—	1.8
210	145	♥Tongkah H. Tin SM1	218d		vQ23c	1.2	0.8
410	295	Tronoh SM1	290	+5	ttvQ65c	1.4	‡

Miscellaneous

High	Low	Stock	Price	+ or −	Div Net	Cvr	Y'ld Gr's
75	37	♥Anglo-Dominion	37d		—	—	—
75	31	♥Anglo Utd Dev	42		—	—	—
410	210	♥Centennial Min'ls	275	−12	—	—	—
175	70	♥Colby Res Corp	70		—	—	—
955	500	Cons. Murch. 10c	500		†Q100c	1.4	8.3
37	25	♥Ennex Int. Ir10p	34	+1	—	—	—
252	150	Hampton Areas 10p	182		3.75	2.1	2.8
225	140	♥Highwood Res	165	−5	—	—	—
£24½	£16	Homestake Mining $1	£18⅜	−⅛	Q20c	—	1.0
295	135	♥McFinley Red Lake	200		—	—	—
240	101	♥Mosto Explorations	230	+5	—	—	—
55	23	♥New Sabina Res C$1	26	+1	—	—	—
365	220	Northgate C$1	295		—	—	—
718	500	RTZ	633	+1	†18.0	2.7	4.1
£156½	£113½	Do. 9½pcLn '95-2000	£154½	−1½	Q9½%	35.4	17.1
£12¾	850	♥Tara Expln $1	£12½	+⅛	—	—	—

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 30 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock"
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application.
- ◆ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ✣ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¶ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue; cover relates to previous dividend or forecast.
- ◆ Merger bid or reorganisation in progress.
- ◊ Not comparable.
- ◆ Same interim: reduced final and/or reduced earnings indicated.
- † Forecast dividend; cover on earnings updated by latest interim statement.
- ‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- # No par value.

B.Fr. Belgian Francs. Fr. French Francs. ♦♦ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Tax free. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1984-85. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1984. K Figures based on prospectus or official estimates for 1984. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1983. R Gross. T Figures assumed. Z Dividend total to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	50		Arnott	146	
Craig & Rose £1	£11		CPI Hldgs	55	
Finlay Pkg 5p	61	−1	Carroll Inds	99	
Higsons Brew	108	−2	Dublin Gas	65	
Holt (Jos) 25p	840		Hall (R. & H.)	42	
IoM Stm £1	130	+5	Heiton Hldgs	26	
IRISH			Irish Ropes	35	
Exch. 12% 1985	£99		Jacob (W & R)	60	
Nat 9¾% 84/89	£84		TMG	75	+3
Fin. 13% 97/02	£89½		Unidare	78	

OPTIONS — 3-month call rates

Industrials	p				
Allied-Lyons	15	GKN	16	Turner Newall	9
BAT	50	Hanson Tst.	22	Unilever	80
BOC Grp	24	Hawker Sidd	38	Vickers	18
BSR	15	Hse of Fraser	28	**Property**	
Babcock	13	ICI	50	Brit Land	14
Barclays Bank	42	'Imps'	14	Cap Counties	18
Beecham	50	Jaguar	10	Land Secs	24
Blue Circle	46	Ladbroke	20	MEPC	30
Boots	10	Legal & Gen	42	Peachey	24
Bowaters	16	Lex Service	32	Samuel Props	14
Brit Aerospace	34	Lloyds Bank	42	Sterling Guar	5½
Brit. Telecom	7½	Lucas Inds	24	**Oils**	
Brown (J.)	3	Marks & Spcr	10	Brit. Oil & Min	4½
Burton Grp.	32	Midland Bk	33	Brit Petroleum	38
Cadburys	14	NEI	9	Burmah Oil	19
Comm Union	25	Nat West Bk.	54	Charterhall	6
Courtaulds	11	P & O Dfd	24	Premier	6
Debenhams	10	Plessey	20	Shell	55
Distillers	24	Polly Peck	25	Tricentrol	22
Dunlop	5	Racal Elect	24	Ultramar	22
FNFC	7	RHM	10	**Mines**	
Gen Accident	42	Rank Org Ord.	24	Charter Cons	21
Gen Electric	20	Reed Intnl	50	Cons Gold	42
Glaxo	90	Sears	7	Lonrho	14
Grand Met.	26	TI	18	Rio T Zinc	60
GUS 'A'	55	Tesco	0		
Guardian	58	Thorn EMI	42		
		Trust Houses	12		

A selection of Options traded is given on the London Stock Exchange Report page.

"Recent Issues" and "Rights" Page 27

AUTHORISED UNIT TRUSTS

[illegible]

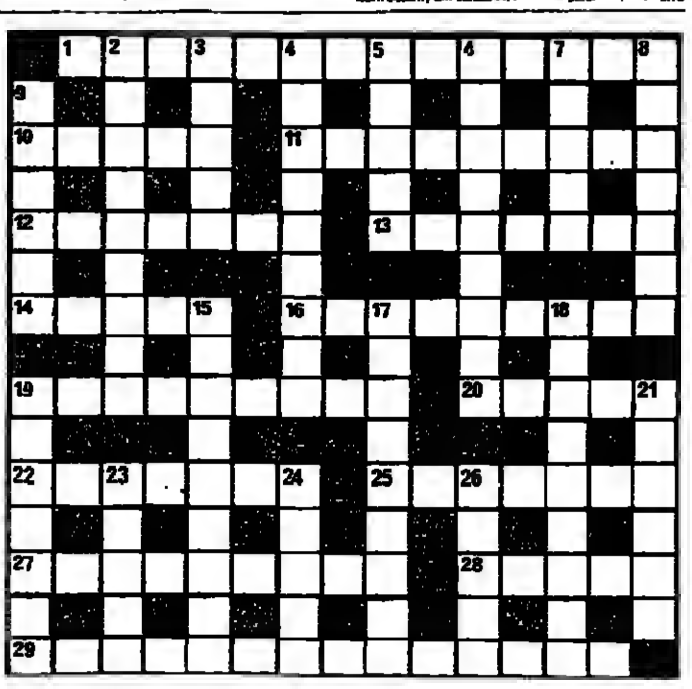
FT UNIT TRUST INFORMATION SERVICE

[illegible]

INSURANCES

[illegible]

F.T. CROSSWORD PUZZLE No. 5,631



ACROSS

1 In it, mean fiscal changes (9, 4)
10 It is to come up in manioc, curiously (5)
11 Bird in tree for the present? (9)
12 The rest live round the bend (7)
13 Wild, wild West in extremely ludicrous situation (7)
14 Stable position in mine (5)
16 Exchange rate worse — it needs careful handling (4-5)
19 Spitfire in the drink? (9)
20 Brewers' agent takes a year and a quarter (5)
22 Why is light poor in Ireland? (7)
25 Such beach protection could be standard also, perhaps (7)
27 Band of interest to geologists? (4-5)
28 Union member speaking Ido? (5)
29 Heedless, like a scared bittern possibly (7-7)

DOWN

2 Continual antics — SEN run wild (9)
3 Bitter? Here's help with internal credit (5)
4 Plinth for Ganymede? (9)
5 Time when half of Parliament breaks up (5)
6 Absurdly cheap joke deliberately underemphasized (9)
7 Not much of a flier — for example, vague when ascending (5)
8 Poet, senior, about to think in French (7)
9 Classic sort of minor dance (6)
15 Public notice linden that is not heavy (9)
17 Does he call the tune on the shore? (9)
18 Mixed tern pairs happen commonly (9)
19 Firm watches poltroons (7)
21 Does one issue bank-statements? (6)
23 Firms combine with a chocolate manufacturer (5)
24 Frog, potentially, going to court (5)
26 This teacher falls short of being a pet (5)

Solution to Puzzle No. 5,630

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

World Wide Growth Managementϕ
10a, Boulevard Royal, Luxembourg

Worldwide Gth Fd.	$11.76	—	+0.01	—

Inv. Adv.: M. & G. Inv. Mngt., Ltd., London.

Wren Commodity Management Ltd.
10, St George's St, Douglas, IoM 0624 25015

Wren Com. Fund	12.7	13.3	-	3.10
Chinese Fund	58.8	61.2	.	1.70
Precious Metal Fund	71.4	74.3		8.30
Vanguard Cmdy. Fd.	19.0	20.4	.	0.00
Financial Futures Fd.	32.5	33.8		—

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg

Dynamic Gwth Fd.	$8.77	—	−0.10	—

Money Market Trust Funds

	Nom	Apr	Int Cr	Notice
The Money Market Trust				
63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	13.59	19.11	6-mth	Call
7-day Fund	12.42	12.06	6-mth	7-day
Oppenheimer Money Management Ltd				
66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fund	13.82	14.29	6-mth	Call
7-day Fund	11.88	12.23	6-mth	7-day
Money Mngt. Acct.	13.50	14.19	3-mth	Call
Dollar	7.50	7.64	6-mth	2-day

Money Market Bank Accounts

	Nom	APR	Int Cr	Notice
Aitken Hume				
30 City Road, EC1Y 2AY. 01-638 6070				
Treasury Acc.	12.500	13.10	Qtr	Call
Mth. Int. Chq.	12.25	12.96	Mthl	Call
Bank of Scotland				
38 Threadneedle St, EC2P 2EH. 01-628 8060				
Cheque Acc.	13.20	14.03	Mthl	Call
Barclays Prime Account				
PO Box 125, Northampton 0604 252891				
High Int. Cheque	13.40	14.08	Qtrl	Call
Britannia Grp of Investment Companies				
29 Finsbury Circus, EC2M 5QL. 01-588 2777				
Cater Allen	13.50	14.36	Mthl	Call
Charterhouse Japhet plc				
1 Paternoster Row, EC4M 7DH. 01-248 3999				
Sterling	13.25	14.085	Mth	Call
U.S. Dollar	7.50	7.763	Mth	Call
German Marks	5.0	5.116	Mth	Call
Swiss francs	2.0	2.018	Mth	Call
Japanese Yen	5.0	5.116	Mth	Call
Co-operative Bank				
78-80 Cornhill EC3 01-626 6543 Ex 464				
Under £1,000	12.00	12.55	Qtr	Call
Over £1,000	14.00	14.75	Qtr	Call
Dartington & Co Ltd				
Dartington, Totnes, Devon TQ9 6JE. 0803 862271				
Money Mkt Acc.	13.50	14.29	Qtr	Call
Henderson/Bank of Scotland				
38 Threadneedle St EC2P 2EH 01-628 8060				
Money Mkt. Cheque Acc.	13.20	14.03	Mthl	Call
Lombard North Central PLC				
17 Bruton St, W1A 3DH. 01-409 3434				
Notice Dep	12.00	12.36	Rate	14-day
M & G/Kleinwort Benson				
91-99 New London Rd, Chelmsford. 0245 51651				
High Int Cheque Acc.	13.25	14.10	Daily	Call
Midland Bank plc				
PO Box 2, Sheffield. 0742 20999 Ext 8738				
High Int Chq.	11.60	12.11	Qtr	Call
Provincial Trust (formerly Chouleartons)				
30 Ashley Rd, Altrincham, Cheshire, WA1 2DW 061-928 9011				
Cheque Acc.	12.25	12.96	Mthl	Call
Save & Prosper/Robert Fleming				
28 Western Rd, Romford RM1 3LB. 0708 66966				
High Int. Bk. Acc.	13.10	14.00	Daily	Call
Premier Acc.	13.10	14.00	Daily	Call
Tyndall & Co				
29-33 Princess Victoria St, Bristol BS8 4BX. 0272 732241				
Demand Acc	13.82	14.56	Qtr	Call
Money Acc.	11.50	12.00	Qtr	Chq/7
J. Henry Schroder Wagg & Co Ltd				
Enterprise House, Portsmouth 0705 827733				
Special Acc.	13.00	13.80	Mth	Call
Over £10,000	13.25	14.09	Mth	Call

NOTES:—Interest rates given both as a nominal rate and an annual percentage rate adjusted for frequency of interest credit.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. ¶ Guernsey gross. ‡ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ϕ Yield column shows annualised rates of NAV increase

COMMODITIES AND AGRICULTURE

Cocoa demand prospects cut forecast of surplus

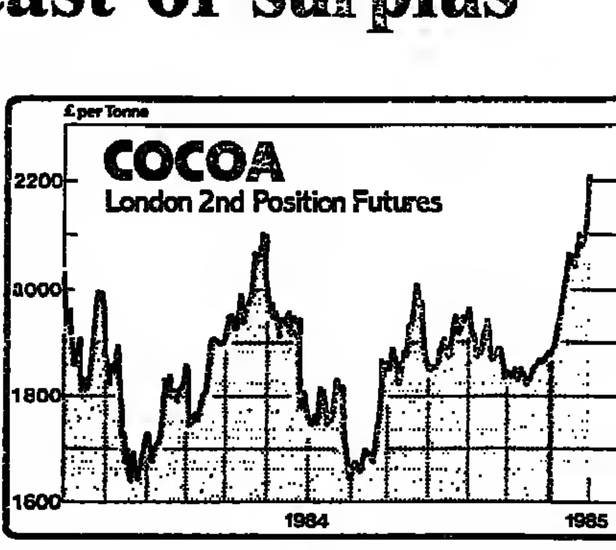
BY RICHARD MOONEY

GILL & DUFFUS, the influential London trade house, has reduced its estimate of the 1984-85 world cocoa production surplus, reflecting prospects of higher consumption than had been anticipated.

In its latest market report, published today, it puts production in the season ending next October at 1,739,000 tonnes against consumption of 1,714,000. After allowing for loss of weight in processing, this implies a surplus of 8,000 tonnes, well below the 25,000 tonnes forecast in Gill & Duffus's December report.

Gill & Duffus attributes the reduced surplus estimate, chiefly to developments on the consumption side. A fall in European consumption is expected but no parallel decline is foreseen for the Soviet Union or the U.S.

"We continue to believe that total consumption in 1985 may be little changed from 1984," the report says. "However, it is clear that consumption will be starting the year from a higher level than was previously realised."



On the London futures market yesterday cocoa prices continued their recent surge. The May position climbed to £2,220 — a 6½-year high — at one point before being trimmed to end £28 up on balance at £2,209.50 a tonne.

After meeting heavy selling pressure in early dealings, prices were boosted by trade buying and the ensuing rise attracted chartist and general speculative interest.

Concern about availability of nearby supplies continued to be an important factor in the rise.

Producer selling this week has not been sufficiently heavy to have lasting impact on prices, traders said yesterday.

Five-year peak for London copper

By John Edwards, Commodities Editor

COPPER PRICES surged to the highest level, in sterling terms, for nearly five years on the London Metal Exchange yesterday.

The cash price for higher grade copper gained £35 to £1,267.5 a tonne; the three months quotation closed £38 up at £1,283.25 and moved further ahead to £1,290 in later trading.

The rise, which started in after-hours trading on Monday, was fuelled by a strong upward trend in New York with the March delivery position on Comex breaking through the important 62 cents a lb barrier. In early trading on Comex last night, March moved to 63.5 cents at one stage.

The jump took many traders by surprise, triggering off "covering" of previous sales. Rumours persist that further cuts in output are planned by U.S. producers following the failure to agree an industry-wide deal with the unions to reduce wages and benefits.

● ASSOCIATION of Tin Producing Countries will hold a ministerial session in London on March 18-22 in advance of an International Tin Council meeting on March 27-29, ton producer sources said. Producers will consider a proposed five-year research and development programme, including plans to increase consumption, and review the Council's price support arrangements.

● RUBBER producing countries will meet in March for final talks on the negotiation of a new International Natural Rubber Agreement to take effect in April. The meeting in Phuket, Thailand, will be attended by representatives from Malaysia, Indonesia, Thailand and Sri Lanka, which produce about 90 per cent of the world's rubber.

● CEREALS stock in UK intervention stores at the weekend totalled a record 3,224,829 tonnes, up from the previous week's 3,069,461 tonnes, the Home Grown Cereals Authority said. At this time last year stocks were 787,936 tonnes.

Squeezing more from citrus

A correspondent describes Israel's fighting response to pressures on its fruit exports

ISRAEL'S citrus industry, now in the middle of its export season, has not been happy with returns over the past five years, during which they have fallen by about 25 per cent.

This was due partly to the country's spectacular brand of inflation, aggravated by a weakening of currencies in its major European markets against the U.S. dollar, on which the country's transactions are based.

The citrus producers have not been unresponsive. As pressure on markets has grown, they have reduced plantings by 10 per cent in the past few years, let unfashionable varieties die out, established new ones and put the land to other use.

One of the industry's constraints is the efficiency with which water, the country's most vital resource (after people) is used. In rationalising citrus culture, Israel has improved its methods of irrigation as well as cultivation, pruning and the use of fertilisers. Thus the reduction of acreage has not lowered yields correspondingly.

Logistics have also received attention, with the adoption of a carton measuring 30 by 30 by 40 centimetres that enables pallets to be stacked more compactly and economically, and changes to sea routes. The route changes, with the chartering of high-speed refrigerated Swedish ships, have cut days from the passage of fruit from source to destination. Israel came late to palletisation but last year shipped 85 per cent of its citrus that way.

The development of new varieties such as Mineola, Pomelo, Temple, Topaz and Tangier is also helping sales. These are not confined to Europe but extend to Japan, the U.S., Canada, Singapore, Australia and South Africa, though the Citrus Marketing Board of Israel, through which by law all exports must pass, regards such markets as "unnatural" because they are so distant. It would prefer to sell all its fruit nearer home.

While the dollar's strength has contributed to Israel's citrus problems, the U.S. unintentionally is helping to alleviate them. Frosts in the past two years destroyed much of Florida's citrus crop, causing a shortage that has benefited Israel and other producers by making the processing of juice profitable instead of a mere act of scavenging; there are hopes that the effects of the development may be more than temporary.

Consumption of juice worldwide has been encouraged by the growth of concern for health and diet but it is known, and heig increasingly preached, that freshly-squeezed juice is far richer in vitamins than that in cans or cartons. Nevertheless, juice already prepared is considerably better than none at all.

Valencia and Shamouti oranges, in which Israel specialises, are good for juice, as is grapefruit, of which Israel is probably the world's largest exporter. This year it expects to sell abroad about 9m boxes of grapefruit.

Israel's citrus growers, who this season will produce about 1.3m tonnes, have, with U.S. juice stocks markedly down, been given an alternative to the fresh fruit market at prices up to double those of the past few years. Instead of resorting to manufacturing for only the harvest's culls, growers have been able to choose between the fresh market and processing, with higher returns from both.

This year a substantially larger proportion of good fruit, as distinct from culls, is being processed and prices for the crop as a whole, helped by the damage from the freeze to the Spanish crop, are expected to be at least 10 to 12 per cent higher when the season ends in July.

Another possibility for boosting sales is to get citrus into pubs for instant squeezing. Ten years ago, Israel's Jaffa joined with Outspan, its South African counterpart, to push sales but, as someone involved recalled, "although the operation was a success, the patient died."

By that he meant that customers stocking the citrus did not know what to do with the skins and let the exercise lapse. The problem of skins has now been overcome by a U.S. device which devours them like a waste-disposal unit. With the health factor favouring juice consumption even more than a decade ago, another attempt may soon be made to put oranges back on optic.

Sharp price rise in molybdenum market

By Our Commodities Editor

MOLYBDENUM has been the star performer on the strategic metals markets during the past week. According to Metal Bulletin the European free market price jumped from a low of $2.75 to a high of $3.40 in a few weeks.

The current price range is put at $3.20 to $3.50 a pound of drummed molybdic oxide compared with $2.85/95 a week ago.

The rise is attributed to producers holding back from selling when merchants are "short" of supplies with stocks at low levels. Merchants have been forced to offer higher prices to obtain supplies.

Also, the recent announcement by Anaconda that it was closing its Tonopah plant reinforced fears that more production cuts were planned by producers, who have suffered badly from the depressed prices in recent years.

● The following strategic metals prices were supplied by Metal Bulletin yesterday:

ANTIMONY: European free market, 99.6 per cent, $ per tonne, in warehouse: 2,800-2,900.

BISMUTH: European free market, min 99.99 per cent, $ per lb, tonne lots in warehouse: 6.35-6.50.

CADMIUM: European free market, min 99.95 per cent, $ per lb, in warehouse, ingots: 1.08-1.12, sticks 1.17-1.21.

COBALT: European free market, 99.5 per cent, $ per lb, in warehouse: 11.40-11.50.

MERCURY: European free market, min 99.99 per cent, $ per flask, in warehouse: 296-306.

MOLYBDENUM: European free market, drummed molybdic oxide, $ per lb Mo, in warehouse: 3.20-3.50.

SELENIUM: European free market, min 99.5 per cent, $ per lb, in warehouse: 8.60-9.20.

TUNGSTEN ORE: European free market, standard min 65 per cent, $ per tonne unit WO_3, cif: 67-72.

VANADIUM: European free market, min 98 per cent V_2O_5, other sources, $ per lb V_2O_5, cif: 2.30-2.35.

URANIUM: Nuexco exchange value, $ per lb U_3O_8: 15.25.

Australia and New Zealand in joint butter sale

By Dai Hayward in Wellington

NEW ZEALAND and Australia have made a deal to sell 28,000 tonnes of butter to Algeria—the first joint sale by the two countries.

When the closer economic relations agreement was signed three years ago, the dairy industries in Australia and New Zealand agreed to work together to make sales where they were to their mutual advantage.

The sale was made to Enatal, the Algerian government buying agency. Australia and New Zealand each will supply half the 28,000 tonnes.

The New Zealand meat board and the Australian Meat and Livestock Corporation are holding talks in Wellington this week on the possibility of meat sales to other countries.

EEC to fight Canadian ban on imports of beef

BY IVO DAWNAY IN BRUSSELS

THE EEC plans a vigirous assault under the General Agreement on Tariffs and Trade on a Canadian ban on Community beef imports, foreign ministers of the Ten were told yesterday.

M Willy De Clercq, the Trade Commissioner, said Canada's case for a 2,700 tonne quota, filled within the first fortnight of this month, looked "very feeble" under Gatt rules.

The quota was announced last month after warnings from Canada which has seen imports of low quality processing beef from the Community leap from nothing five years ago to more than 23,000 tonnes last year.

To shore up the domestic producers, who have suffered serious price falls, Ottawa imposed an import quota of 66,500 tonnes for 1985, the bulk going to traditional suppliers in Australia, New Zealand and the U.S. It justified the move under Gatt's Article 19 which allows protective action by a signatory country when imports surge unacceptably.

The Community argues that imports constitute less than 10 per cent of the Canadian market and are not sufficient to warrant the move. However, there is also EEC anger over Canada's decision to divide the new quota proportionately on the basis of each exporter's sales between 1979 and 1983.

As Community beef sales leapt last year, this severely cuts its share.

Talks between the EEC and Canada at Gatt's Geneva offices have failed to make progress

Row over re-allocation of sugar quota

BY CANUTE JAMES IN KINGSTON

A DISPUTE has started between the European Commission and the African, Caribbean and Pacific (ACP) group over the allocation of 25,000 tonnes which the commission has cut from the Trinidad and Tobago quota under the sugar protocol of the Lome Convention.

Caribbean sugar industry sources say the commission wants to re-allocate the 25,000 tonnes to three African countries, which were not named. The ACP countries have disagreed.

"As far as I know, where such a thing happens, an effort is made first to ascertain whether regional producers want to take up the shortfall," said Mr Kamaludin Mohammed, Trinidad's Minister of Agriculture.

"If the regional producers do not object, then some re-allocation can be made. But if they do object and say they can supply, then they should have it."

The ministerial subcommittee of the ACP will discuss the issue at a meeting in Guyana next month. Trinidad's original quota of 69,000 tonnes was cut after the country failed for three consecutive years to supply it.

● India may resume exporting sugar in 1985 because of a sharp improvement in domestic production, said Mr P. C. Luther, chairman of the State Trading Corporation (STC), reports Reuter from New Delhi.

LONDON MARKETS

RUMOURS that the Brazilian Coffee Institute was planning to auction some of its stockpile pushed prices sharply lower on the London coffee future market yesterday. The March position ended the day £39 down at £2,368.5, wiping out last week's advance.

Lack of buying on the sugar market, coupled with the announcement that the Dominican Republic will be holding a selling tender for 20,000 tons today, led to a downturn in futures values which left nearby positions two or three dollars a tonne lower.

Sugar's decline was also influenced by news that India may resume exporting this year following an increase in domestic production.

MAIN PRICE CHANGES

In tonnes unless otherwise stated

	Jan. 29 1985	+ or −	Month ago
METALS			
Aluminium	£1100		£1100
Free Mkt.	$1165/1185	+20	$1085/1125
Copper			
Cash h Grade	£1267.5	+35	£1140
3 mths	£1283.25	+35	£1139
Gold troy oz	$308.75	−4.75	$309
Lead Cash	£336	−3.5	£340.9
3 mths	£348.25	−0.5	£328.5
Nickel	£5818		£5967
Free Mkt.	237/257c	+1	215/245c
Palladium oz	$196.75	+3.5	$128.00
Platinum oz	$273.50	+5.5	$291.00
Quicksilver†	$295/305		$300/310
Silver troy oz	558.05p	+23.85	540.55p
3 mths	576.45p	+24.25	554.50p
Tin cash	£9772.5	−66.5	£9966.5
3 mths	£9802.5	−65	£9929.5
Tungsten	$83.85		$83.21
Wolfram 22.04lb	$66/70		$74/78
Zinc	£745	+4	£689.5
3 mths	£741.25	+4.75	£676.5
Producers	$900		$900

	Jan. 29 1985	+ or −	Month ago
OILS			
Coconut (Phil)	$840y		$950
Palm Malayan	$680z		$685
Seeds			
Copra Phil	$520v	−20	‡
Soyabean (U.S.)	$251.8z	−1.5	‡
GRAINS			
Barley Fut. May	£116.65	−0.65	‡
Maize	£147.00z		‡
Wheat Fut. May	£115.75	−0.35	‡
No2 Hard Wint.			‡
OTHERS			
Cocoa Ft. May	£2209.5	+28	£1872.5
Coffee Ft. Mar.	£2368.5	−39	£2236
Cotton A index	70.20c	−0.2	‡
Gas Oil Feb.	$234	+4.5	$215.875
Rubber (kilo)	64p		65p
Sugar (raw)	£118.5yw	+8	$94
Woolt'ps 64s	414p kilo		494p kilo

‡ Unquoted. z Feb. w Mar. u Feb-Mar. y Jan-Feb. v Mar-April. † Per 75-lb flask. n Nominal. c Cents per pound.

INDICES

FINANCIAL TIMES

Jan. 28	Jan. 24	M'th ago	Year ago
299.61	298.88	289.64	295.50

(Base: July 1 1952 = 100)

REUTERS

Jan. 29	Jan. 28	M'th ago	Year ago
2036.8	2016.0	1904.2	1893.0

(Base: September 18 1931 = 100)

MOODY'S

Dec. 27	Dec. 19	M'th ago	Year ago
965.9	966.4	—	140.42

(Base: December 31 1931 = 100)

DOW JONES

Dow Jones	Dec. 27	Dec. 19	Month ago	Year ago
Spot	121.99	123.83	—	140.42
Fut.	124.35	125.68	—	145.55

(Base: December 31 1974 = 100)

COPPER

COPPER	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	1275-.5	+26.5	1267-8	+35
3 months	1286.5-7	+32.5	1283-.5	+38
Settlem't	1275.0	+26.5	—	—
Cathodes				
Cash	1250-3	+28.2	1250-0	+31.5
3 months	1244-8	+32	1254-.5	+39.2
Settlem't	1235	+28	—	—

Amalgamated Metal Trading reported that in the morning cash higher grade traded at £1,274, three months £1,288, 88.5, 89, 88.5, 88, 87.5, 87, 86, 85.5, 86, 86.5, 87. Kerb: Higher Grade: Three months £1,287, 88, 87, 85.5, 87, 86. Afternoon: Higher Grade: Three months £1,282.5, 83, 82.5, 82, 81, 82, 83, 84, 84.5, 84, 83.5. Cathodes: Cash £1,255. Kerb: Higher Grade: Three months £1,284, 83, 84, 83, 82, 82.5, 83. Turnover: 26,775 tonnes. U.S. Producers: 64-68 cents a pound.

ALUMINIUM

Alumin'm	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	981-2	+14	986-6	+14.5
3 months	1024.5-5	+15.5	1020-1	+15

Aluminium—Morning: Three months £1,025, 25.5, 25, 28, 27, 26, 27, 26.5, 26, 24, 25, 24.5. Kerb: Three months £1,025, 22, 23, 25. Afternoon: Three months £1,021, 20, 19, 18, 19, 20, 19, 20, 21. Kerb: Three months £1,023, 25, 27, 26, 25, 24. Turnover: 20,350 tonnes.

NICKEL

NICKEL	a.m. Official	+ or −	p.m. Unofficial	+ or −†
	£	£	£	£
Spot	4715-7	+15	4710-8	+60
3 months	4685-90	+31	4677-80	+61

[illegible]

TIN

TIN	a.m. Official	+ or −	p.m. Unofficial	+ or −†
High Grade	£	£	£	£
Cash	9805-10	−77.5	9800-5	−57.5
3 months	9830-40	−55	9820-30	−25

[illegible]

LEAD

[illegible]

ZINC

[illegible]

SILVER

Silver was fixed 23.85p an ounce higher for spot delivery on the London bullion market at 558.05p. U.S. cent equivalents of the fixing levels were: spot 623.9c, up 29.35c; three-month 636c, up 29.40c; six-month 649.9c, up 30.1c; and 12-month 681.15c, up 33c. The metal opened at 555-556p (519-625c).

[illegible]

COCOA

[illegible]

COFFEE

[illegible]

GOLD

[illegible]

GRAINS

Old crop wheat came under pressure as export markets failed to show interest and physical demand remained thin. Barley fell on long liquidation and lack of physical demand. New crops also eased on hedge selling in quiet trading, reports Muirpace.

[illegible]

PIGMEAT

[illegible]

POTATOES

[illegible]

OIL

In moderate trading forward Brent firmed about 20c. Trading in Arab Gulf crude was minimal. Nymex opened firm and traded fairly strongly all morning to stand at 14-15c up at 1 pm EST. Petroleum products were stable. Scarcity of pumped oil continued to sustain gas oil prices despite uncertainty about Opec's policy. Heavy fuel continued stable although demand for prompt material softened—Petroleum Argus, London.

SPOT PRICES

	Latest	Change + or −
CRUDE OIL—FOB ($ per barrel)		
Arab Light	27.55-27.65	+0.025
Arab Heavy	26.60-26.70	+0.10
Dubai	27.20-27.30	+0.05
Brent Blend	27.00-27.10	+0.20
W.T.I. (1 pm est)	25.30-25.40*	+0.50
Forcados (Nigeria)	27.20-27.35	+0.05
Urals (cif NWE)	—	—
PRODUCTS—North West Europe "cif" ($ per tonne)		
Premium gasoline	229-231	—
Gas Oil	251-255	—
Heavy fuel oil	183-186	—

* March; rest February. Petroleum Argus Estimates

GAS OIL FUTURES

[illegible]

RUBBER

[illegible]

SOYABEAN MEAL

[illegible]

SUGAR

[illegible]

U.S. MARKETS

Heating oil prices rallied sharply on expectations of soe compromise coming from the Opec eeting, reports Heinold Comodities. Soyabeans came under pressure just ahead of the close and finished oderately lower. Early strength was generated by strong soyabean oil prices which reflected rumours of Soviet purchases of U.S. oil. Wheat prices rallied on good comercial demand and on short-covering as a result of low deliverable supplies in Chicago and Toledo. Maize prices were narrowly mixed as local selling was effectively countered by commercial buying. Gold and silver came under pressure late in the session reflecting dollar strength along with the emergence of good dealer offers following Monday's recovery. Copper and aluminin continued to be firm reflecting the generally bullish tone and continued drawdown in copper stocks. Sugar was weak reflecting reports that it is likely India will be exporting sugar due to ore favourable crop prospects.

NEW YORK

ALUMINIUM 40,000 lb, cents/lb

	Close	High	Low	Prev
Feb	50.05	—	—	49.45
March	50.45	50.70	50.10	49.80
May	51.15	51.40	51.05	50.50
July	51.90	—	—	51.20
Sept	52.65	—	—	51.90
Dec	53.70	—	—	52.95
Jan	54.05	—	—	53.30
March	54.75	—	—	54.00
May	55.45	—	—	54.70
July	56.15	—	—	55.40

COCOA 10 tonnes, $/tonnes

	Close	High	Low	Prev
March	2288	2289	2261	2225
May	2318	2317	2290	2247
July	2291	2289	2265	2224
Sept	2260	2261	2240	2185
Dec	2150	2150	2126	2104
March	2136	2145	2125	2108
May	2136	—	—	2108

COFFEE "C" 37,000 lb, cents/lb

	Close	High	Low	Prev
March	148.51	49.90	48.25	49.70
May	145.06	45.90	44.76	46.12
July	143.00	43.25	42.40	43.69
Sept	141.00	41.25	40.25	41.66
Dec	139.65	39.50	39.00	39.74
March	138.13	37.50	37.50	37.37
May	127.25	37.30	37.00	37.38

COPPER 25,000 lb, cents/lb

	Close	High	Low	Prev
Feb	62.70	62.15	62.15	61.95
March	63.05	63.50	62.60	62.30
May	63.30	62.65	62.80	62.65
July	63.60	63.95	63.15	62.85
Sept	63.85	64.20	63.25	63.10
Dec	64.26	64.70	63.80	63.90
Jan	64.55	—	—	63.60
March	64.65	64.90	64.10	63.85
May	64.95	65.00	64.80	64.15
July	65.25	65.70	64.90	64.45

COTTON 50,000 lb, cents/lb

	Close	High	Low	Prev
March	64.55	64.89	64.56	64.82
May	65.86	66.02	65.78	65.86
July	66.86	67.00	66.77	66.92
Oct	67.16	67.25	67.16	67.15
Dec	67.40	67.42	67.22	67.25
March	65.65	—	—	68.40
May	69.20	69.52	69.50	69.50
July	69.70	70.02	70.00	70.30

CRUDE OIL (LIGHT) 42,000 U.S. gallons, $/barrels

	Latest	High	Low	Prev
March	25.38	25.50	25.21	25.33
April	25.18	25.31	25.01	25.02
May	25.00	25.10	24.81	24.86
June	24.90	25.00	24.76	24.77
July	24.82	24.85	24.60	24.64
August	24.65	—	—	24.62
Sept	24.65	—	—	24.62
Oct	24.83	24.65	24.65	24.62
Nov	24.75	24.75	24.62	24.62
Dec	—	—	—	24.62

GOLD 100 troy oz, $/troy oz

	Close	High	Low	Prev
Feb	301.8	304.2	300.6	302.9
March	303.6	305.4	302.2	304.6
April	305.3	307.7	304.0	306.3
June	308.5	312.6	308.5	310.4
August	313.7	315.3	313.0	314.2
Oct	318.1	318.2	319.2	318.0
Dec	322.8	324.8	323.6	323.7
Feb	327.9	—	—	328.2
April	333.0	335.4	335.4	334.0
June	338.6	—	—	339.5
August	344.3	—	—	346.3
Oct	350.0	—	—	351.4

HEATING OIL 42,000 U.S. gallons, cents/U.S. gallons

	Latest	High	Low	Prev
Feb	72.95	73.20	72.35	72.08
March	70.10	70.50	69.30	69.18
April	66.95	67.35	66.30	66.34
May	65.65	65.90	65.30	65.34
June	65.20	65.32	66.50	64.71
July	65.35	65.35	65.35	66.06

ORANGE JUICE 15,000 lb, cents/lb

	Close	High	Low	Prev
March	178.30	79.00	78.35	76.90
May	179.20	79.85	77.20	77.85
Sept	177.30	77.00	78.25	76.20
Nov	175.70	76.20	76.20	75.70
Jan	178.20	—	—	75.50
March	176.20	—	—	75.50

PLATINUM 50 troy oz, $/troy oz

	Close	High	Low	Prev
April	274.3	278.0	273.8	276.0
July	278.9	282.0	279.0	280.2
Oct	284.1	286.0	284.0	285.1
Jan	290.0	290.5	290.0	290.9

SILVER 5,000 troy oz, cents/troy oz

	Close	High	Low	Prev
Feb	610.5	621.0	621.0	630.2
March	618.5	637.5	613.0	634.0
May	627.9	646.0	622.0	642.5
July	636.0	654.8	630.0	651.7
Sept	646.6	661.0	641.0	661.5
Dec	662.3	677.2	656.0	677.3
Jan	667.5	—	—	682.0
March	678.4	688.0	680.0	693.5
May	690.0	—	—	705.2
July	701.7	714.5	714.6	717.0

SUGAR WORLD "11" 112,000 lb, cents/lb

	Close	High	Low	Prev
March	4.42	4.56	4.41	4.60
May	4.71	4.86	4.71	4.92
July	5.04	5.10	5.04	5.24
Sept	5.30	5.45	5.30	5.49
Oct	5.45	5.60	5.45	5.65
Jan	5.90	6.12	6.12	6.12
March	6.37	6.61	6.37	6.58
May	6.58	6.75	6.68	6.78

CHICAGO

LIVE CATTLE 40,000 lbs, cents/lbs

	Close	High	Low	Prev
Feb	65.95	66.05	65.35	65.47
April	66.45	66.80	66.02	66.27
June	68.92	69.00	68.57	67.77
Aug	66.72	66.82	66.50	66.67
Oct	64.72	64.85	64.56	64.70
Dec	65.90	65.92	65.80	65.90
Feb	66.00	66.00	66.00	66.25

LIVE HOGS 30,000 lbs, cents/lbs

	Close	High	Low	Prev
Feb	51.65	51.87	51.45	51.50

[illegible]

MAIZE 5,000 bu min, cents/56 lb bushel

[illegible]

PORK BELLIES 38,000 lbs, cents/lb

	Close	High	Low	Prev
Feb	72.27	72.90	71.95	72.32
Mar	72.80	73.25	72.50	72.67
May	74.30	74.80	74.05	74.35
July	74.35	75.17	74.30	74.57
Aug	72.35	72.80	72.30	72.70
Feb	66.50	66.80	65.80	66.05
Mar	66.32	66.32	64.30	66.45

SOYABEANS 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Mar	598.4	608.4	598.0	608.2
May	610.8	620.4	610.4	620.4
July	621.0	629.6	620.4	629.6
Aug	621.4	630.0	621.0	630.0
Sept	613.0	620.0	613.0	619.0
Nov	614.2	620.0	614.2	619.2
Jan	627.0	631.4	627.0	632.0
Mar	641.0	646.4	641.0	647.0
May	649.0	—	—	655.0

SOYABEAN MEAL 100 tons, $/ton

	Close	High	Low	Prev
Mar	140.6	142.7	140.6	143.2
May	146.3	148.5	146.2	148.0
July	151.8	154.2	151.5	154.4
Aug	154.8	150.6	154.8	156.7
Sept	157.2	158.4	157.2	158.0
Oct	159.5	160.6	159.5	160.3
Dec	164.3	165.0	164.0	166.4

SOYABEAN OIL 60,000 lbs, cents/lbs

	Close	High	Low	Prev
Mar	27.23	27.80	27.15	27.55
May	26.62	27.06	26.50	26.82
July	26.07	26.46	26.01	26.18
Aug	25.66	26.00	25.60	25.70
Sept	25.32	25.60	25.20	25.37
Oct	24.40	24.40	24.40	24.48
Dec	24.05	24.25	23.95	23.95

WHEAT 5,000 bu min, cents/60 lb-bushel

	Close	High	Low	Prev
Mar	348.0	349.2	345.0	345.4
May	342.2	343.2	340.0	340.6
July	332.2	334.0	331.2	332.0
Sept	334.0	335.6	332.4	333.0
Dec	346.0	346.0	344.4	344.2
Mar	349.0	—	—	347.0

SPOT PRICES — Chicago loose lard 24.50 (24.00) cents per pound. New York tin 487.0-515.0 (480.0-513.0) cents per pound. Handy and Harman silver bullion 623.0 (606.0) cents per troy ounce.

OTHER MARKETS

ROTTERDAM

WHEAT—(U.S. $ per tonne) U.S. No. 2 Soft Red Winter: Feb 164.50, March 164.50, April 163. U.S. No. 2 Northern Spring, 14 per cent protein: Sept 183, Jan 20/Feb 15 183, Feb 183, March 183.50, April/May 185, June 170. U.S. Northern Spring, 15 per cent protein: Sept 195, April/May 184. U.S. No. 3 Hard Amber Durum: April/May 184, June 184, Sept 182. Canadian No. 1 Western Amber Durum: April/May 193.50, Sept 192.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 518 tonnes. Business was renewed and extensive purchases ranged over numerous qualities. Users contemplated kocoing supplies on a regular basis, and demand broadened in African and Middle Eastern styles.

HIDES

HIDES—Birmingham. Second clears. Ox: 36 kg and over 94.6p a kg: 31-35.5 kg 104.0p a kg: 26-30.5 kg 114.7p a kg: 22-25.5 kg 136p a kg: 21.5 kg and under 139.0p a kg. Cow: 26 kg and over 120.1p a kg: 25.5 kg and under 135.1p a kg. Sulf: 74.5p a kg.

MEAT

SMITHFIELD—Pence per pound: Beef: Scottish killed sides 77.0 to 84.0; English hindquarters 85.5 to 90.0. Veal: Dutch hinds and ends 123.5 to 127.5. Lamb: English small 66.0 to 76.0, medium 64.0 to 72.0, heavy 60.0 to 64.0. Imported: New Zealand PL (new season) 69.5 to 70.5, PL (old season) 67.5 to 68.5, PX (old season) 65.5 to 66.0. Pork: English under 100lb 52.0 to 62.5, 100-120lb 53.0 to 58.5, 120-160lb 43.0 to 51.0.

MEAT COMMISSION — Average fatstock prices at representative markets. GB—Cattle 95.14p per kg lw (−1.86). GB—Sheep 160.34p per kg est dcw (+−.30). GB—Pigs 77.12p per kg lw (−2.31).

PARIS

SUGAR — (FFr per tonne): March 1391-1395, May 1431-1432, Aug 1512-1517, Oct 1575-1580, Dec 1670-1675, March 1775-1790.

COCOA—(FFr per 100 kg): March 2320-2323, May 2330-2335, July 2310 bid, Sept 2300-2335, Dec 2220 bid, March 2220 bid, May 2220 bid.

WOOL FUTURES

SYDNEY GREASY WOOL—Close (in order buyer, seller, business). Australian cents per kg. March 590.0, 593.0, untraded. May 594.0, 596.0, untraded. July 601.0, 603.0, 601.0.

CURRENCIES, MONEY and CAPITAL MARKETS

FOREIGN EXCHANGES

Pound fails to convince

Sterling showed a slight improvement on the foreign exchanges yesterday, but dealers continued to gnd the pound's performance unconvincing and were left wondering at the wisdom of the recent very large rise in London interest rates without any strong accompanying intervention to support the speculative run against the currency. Oil remained the overwhelming factor governing sterling's fortunes, with ell ettention focused on the meeting of ministers from the Organisation of Petroleum Exporting Countries in Geneva.

Against this background, and fears of a possible cut in the Arabian light marker price from $29 a barrel, sterling opened shakily, but then held stoady and after a modest rally, finished little different from opening levels. The exchange rate index began 0.1 higher et 70.6, but after touching a peak of 70.9 at 10.00 am retreated to 70.7 et 11.00 am, and closed at 70.8, e rise of 0.3 on the day.

Sterling gained 35 points to close at $1.1140-1.1150, after beginning the day at about the samo level. The pound touched a peak of $1.1205, and there were suggestiono in the market of possible Bank of England intervention when sterling broke through $1.12, but the pound eventually slipped back and shortly after London closed touched $1.11 in New York. Sterling performed bettor against other currencies, rising to DM 3.5425 from DM 3.5175; FFr 10.82 from FFr 10.7625; SwFr 2.9725 from SwFr 2.9575; and Y283.75 from Y282.50.

The dollar was quiet for most of the day, as attention remained fixed on the pound, but the U.S. currency gained renewed support in late European trading. Demand for the dollar was believed to originate from the futures market in Chicago. The dollar rose to DM 3.1760 from DM 3.1670; FFr 9.7025 from FFr 9.68; SwFr 2.6660 from SwFr 2.6620; and Y254.30 from Y254.15.

On Bank of England figures the dollars index fell to 146.2 from 146.3.

D-MARK — Trading range against the dollar in 1984-85 is 3.1935 to 2.5535. December average 3.1021. Trade-weighted index 120.4 against 124.0 six months ago.

The D-mark was slightly firmer against the dollar at the Frankfurt fixing. The German Bundesbank sold $12.5m when the dollar was fixed at DM 3.1640 compared with DM 3.1688 on Monday when there was no intervention. There was no sign of dollar sales by the central bank on the open market, despite an improvement by the U.S. currency from an early level of DM 3.1605. The market generally drifted, and there was little indication of any break out from the recent trading range of DM 3.1550 to DM 3.18. It had bee nspeculated that the Bundesbank might increase interost rates on an attempt to drive the dollar lower against the D-mark, but the apparent lack of success of the British authorities in supporting the pound by increasing interest rates led to suggestions the Bundesbank should take a hint that raising interest rates does not necessarily boost the currency.

STERLING EXCHANGE RATE INDEX

(Bank of England)

	Jan 29	Previous
8.30 am	70.6	70.4
9.00 am	70.6	70.5
10.00 am	70.9	70.6
11.00 am	70.7	70.5
Noon	70.8	70.3
1.00 pm	70.8	70.5
2.00 pm	70.7	70.7
3.00 pm	70.8	70.5
4.00 pm	70.8	70.5

£ in New York

	January 29	Prev. close
£ Spot	$1.1143-1.1150	$1.1155-1.1165
1 month	0.51-0.48 pm	0.50-0.45pm
3 months	1.40-1.36 pm	1.45-1.38pm
12 months	3.30-3.13 pm	3.53-3.30pm

Forward premiums and discounts apply to the U.S. dollar.

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu January 29	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	44.9008	7.92324	−2.88	−1.64	±1.5428
Danish Krone	8.14104	2.22067	−0.95	+0.09	±1.6421
German D-Mark	2.24184	0.78844	−1.25	−0.21	±1.1493
French Franc	6.87456	2.51068	−0.61	+0.43	±1.3659
Dutch Guilder	2.52595	0.713566	−1.67	−0.63	±1.5165
Irish Punt	0.72569	1369.90	−2.39	−2.09	±1.6671
Italian Lira	1403.49	44.4094	−1.09	−0.05	±4.0511

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

POUND SPOT—FORWARD AGAINST POUND

Jan 29	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.1125-1.1205	1.1140-1.1150	0.51-0.47c pm	5.28	1.38-1.28pm	4.77
Canada	1.4755-1.4840	1.4870-1.4800	0.55-0.45c pm	4.06	1.45-1.26pm	3.88
Nethlnd.	3.98-4.00½	3.99½-4.00½	2⅝-2⅜c pm	7.69	7⅛-7¼pm	7.44
Belgium	70.42-70.85	70.70-70.80	21-15c pm	3.05	62-51pm	3.19
Denmark	12.57-12.64	12.63-12.64	3½-2ore pm	2.56	6½-6¼pm	2.39
Ireland	1.1325-1.1390	1.1377-1.1387	0.04ppm-0.13dis	−0.47	0.08-0.44dis	−0.93
W. Ger.	3.52-3.54⅜	3.53⅜-3.54⅜	2⅜-2¼pf pm	7.83	6⅜-6¼pm	7.27

LONDON MONEY RATES (Discount Houses Deposit and Bill Rates)

MONEY MARKETS

A more optimistic note

Interest rates stabilised in early trading on the London money market yesterday and then showed a softer tone as market sentiment improved as hopes grew that the exceptionally sharp rise in interest rates seen this month will be short lived.

Three-month interbank touched a peak of 14¾-14⅞ per cent in nervous early trading, reflecting disappointment that sterling had not reacted more fevourably to the latest increase in clearing bank base rates. The early mood of the market also followed suggestions that the recent upward trend might not be over, but sentiment gradually improved as tho pound held steady around $1.1150.

Despite the initial fears the market finished on a note of reasonable optimism, although dealers cautioned that the quite sharply sloping reversed yield surve may prove unrealistic and still depended on the future performance of the pound, while there was also some fear that the mid-January money supply figures due for publication next week will be disappointing.

After the early rise three-month interbank finished at 13¾-13⅞ per cent compared with 14-14⅛ per cent on Monday. Discount houses buying rates for three-month bank bills were $13\frac{7}{16}$-13½ per cent against 13½ per cent.

The Bank of England forecast a market shortage of £200m in the morning, but changed this to £150m in the afternoon. Dealers showed some surprise that the authorities did not appear to supply enough help on the day, giving assistance of only £97m.

Before lunch the Bank of England gave help of £43m by buying bills outright, through £21m bank bills in band 2 (15-33 days maturity) at 13½ per cent, and £22m bank bills in band 3 (34-63 days) at 13⅜ per cent.

In the afternoon another £44m bills were purchased outright in band 2 at 13½ per cent, and the authorities also provided late assistance of around £10m.

Bills maturing in official hands, repayment of late assistance and a take-up of Treasury bills drained £319m, with bank balances below target absorbing another £15m. These were partly offset by Exchequer transactions adding £85m to liquidity and a fall in the note circulation of £50m.

UK clearing banks' base lending rate 14 per cent since January 28.

MONEY RATES

Jan. 29	Frankfurt	Paris	Zurich	Amst'dam	Tokyo	Milan	Brussels	Dublin
Overnight	5.50-5.65	10⅞	12¾-10¾	5¾-58	6.21825	15⅝-15	8.8e	14⅝-14⅞
One month	5.70-5.85	$10\frac{1}{16}$-10⅛	5⅛-5⅜	0⅛ 5	6.26120	16⅞-15¼	$10\frac{7}{16}$-10⅜	13¼-15¾
Two months	5.80-5.90	10⅝ 10⅛	—	—	—	—	—	15¼-13¾
Three months	5.85 6.00	10⅜ 10¼	5⅜-5⅛	$5\frac{1}{16}$-5⅛	6.34375	15¾-16⅛	10¼-10⅜	14⅝-14⅞
Six months	5.95-6.15	10⅜-10⅛	—	6-6⅛	—	—	10⅜ 10⅞	14⅜-14⅜
Lombard	5.5	—	—	—	—	—	—	—
Intervention	—	10⅛	—	0¾	—	—	—	—

Asian $ (closing rates in Singapore): Short-term 8⅜-8⅝ per cent; seven days 8⅝-8⅞ per cent; one month 8⅝-8⅞ per cent; three months 8⅝-8⅞ per cent; six months 8⅝-8⅞ per cent; one year 9⅛-9⅜ per cent. Long-term Eurodollars: two years 10⅝-10⅞ per cent; three years 10¾-11 per cent; four years 11¼-11½ per cent; five years 11⅛-11⅝ per cent nominal. Short-term rates are call for U.S. dollars and Japanese yen; others two days' notice.

FT LONDON INTERBANK FIXING

(11.00 a.m. January 29)
3 months U.S. dollars

bid 8 7/16	offer 8 9/16

6 months U.S. dollars

bid 8 11/16	offer 8 13/16

FINANCIAL FUTURES

Better tone

Sterling denominated interest rate contracts recovered from a nervous start on the London International Financial Futures market yesterday, but finished below tho best levels of the day. A rally during the morning was prompted by an unsubstantiated rumour of Bank of England support for sterling when the pound rose above $1.12, and although tho market soon retreated as doubts grew about the intervention, the general mood was helped by reasonably encouraging comments from the Opec meeting in Geneva and rumours that oil ministers had reached agreemnt. But once again there appeared to be little substance to this suggestion. After opening at 101-18 March gilts touched a low of 105-15, but gained support from hopes that the latest sharp rise in bank base rates may be short lived.

Dealers commented that the present level appears unjustified, and against a background of greater optimism the contract touched a peak of 102-18, before closing at 102-08, compared with 101-22 on Monday.

Eurodollar and U.S. Treasury bond futures were weaker, reflecting concern about the possibility of tighter Federal Reserve monetary policy if economic growth remains high. The trend also followed a firm level for the Federal funds rate in New York.

LONDON

THREE-MONTH EURODOLLAR $1m points of 100%

	Close	High	Low	Prev
March	91.18	91.20	91.13	91.27
June	90.63	90.68	90.60	90.16
Sept	90.06	90.11	90.05	90.21
Dec	89.59	89.63	89.57	89.74
March	89.20	89.20	89.17	89.36

Est. Volume 5,022 (1,407)
Previous day's open int. 12,736 (12,656)

U.S. TREASURY BONDS 8% $100,000 32nds of 100%

	Close	High	Low	Prev
March	73-07	73-11	73-01	73-14
June	72-08	—	—	72-16

Est. Volume 1,130 (1,407)
Previous day's open int. 2,051 (1,973)

FT-SE 100 INDEX £25 per full index point

	Close	High	Low	Prev
March	125.25	125.25	124.60	126.15
June	125.55	125.70	125.00	126.60
Sept	125.85	—	—	126.80

Est. Volume 813 (872)
Previous day's open int. 1,004 (1,005)

CHICAGO

GNMA (CBT) 8% $100,000 32nds of 100%

	Latest	High	Low	Prev
March	69-21	69-25	69-16	69-26
June	68-30	69-00	68-30	69-03
Sept	—	—	—	68-15
Dec	—	—	—	67-29
March	—	—	—	—
June	—	—	—	66-30
Sept	—	—	—	66-19

APPOINTMENTS

International posts at NatWest

Mr Tim R. Finlow has been appointed deputy chief manager of NATIONAL WESTMINSTER BANK's UK banking operations, international banking division, based in London. He succeeds Mr Ted Stamp who becomes chief manager of International Westminster Bank, London branch. Mr Finlow was senior regional manager, Africa, Middle East and India, region, also based in London. He is succeeded by Mr Ken Freathy who was an advances manager in the international banking division, in London.

★

Further restructuring is scheduled for the SCHWEPPES GROUP. The organisation has been changed from a functional to a business stream basis, the two major trading units being "take home" and "licensed and catering," each with its own managing director. Reporting to the newly-appointed Schweppes managing director, Mr Derek Williams, will be five directors:— Mr David Jinks—deputy managing director and finance director, Mr John Morrison—(formerly marketing director managing commercial director)—managing director, licensed and catering, Mr John Sunderland—(formerly director, take home, Mr Peter White — (formerly distribution director) — operations director, responsible for manufacturing and distribution and Mr Geoffrey Dale—personnel director.

★

Mr Jeffrey Leonard Leigh becomes an associate director and Mr David Michael Russell Butler an assistant director of C. E. HEATH AND CO (REINSURANCE BROKING). Mr Kevin Francis Finigan is appointed an assistant director of C. E. Heath and Co. (Aviation).

★

SHEFFIELD INSULATIONS GROUP has made the following board changes: Mr Ian Hanson has been appointed deputy chairman and finance director. He was appointed a director in 1970. Mr Bill Forrester has been appointed group managing director. He was managing director of Sheffield Insulations Limited, the group's main subsidiary. Mr David Conning succeeds Mr Forrester as managing director of Sheffield Insulations Limited. Mr Conning joined as marketing director in 1982, following a period with Cape Insulations.

★

Turner and Newall announces that Mr Colin Beck has been appointed a managing director of its subsidiary company TAC CONSTRUCTION MATERIALS from February 1. He will be responsible for the company's Trafford Park and Block divisions.

★

Mr Michael J. Burton has become chairman and Mr Roger Summers has become group managing director of ASTRAL COMPUTER SERVICES following its merger with Datasure, of which they are also chairman and managing director respectively. Astral's former general manager, Mr Tony Lynch, has been appointed managing director, and Mr Owen Knight has been apointed product development director of Astral.

★

GEI INTERNATIONAL has appointed Mr Michael H. Broadfoot managing director of GEI Packaging Machinery. For some years Mr Broadfoot has been managing director of Europack Engineering, a subsidiary of GEI Packaging Machinery. Mr David Wright, sales director of Europack Engineering Co, succeeds Mr Broadfoot as managing directer. Both appointments take effect from February 1.

★

Mr Leslie Teeman has been appointed a member of the North and East Midlands regional board of LLOYDS BANK from February 1. He is a director and chief executive of Boral (UK).

★

Mr Peter Bailey has been appointed as managing director of ORACLE TELETEXT. Mr Bailey, who joins on February 4 was previously with Prestel Residential Services and WEA Records. Mr Humphrey Metzgen, sales and marketing controller of ORACLE since 1981, has been appointed a director. Mr Richard Brooke, financial controller since 1981, has also been appointed a director.

★

Mr Bill Bowman is to succeed Lord Cameron as chairman of the TRIDENT TRUST a charitable trust backed by such leading companies as Marks and Spencer, National Westminster Bank and IBM to help young people to make the best possible start to their adult life. Mr Bowman is chairman of the Royds Advertising Group and formerly a senior director of United Biscuits.

Art Galleries

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Holidays and Travel

Flights

Activity

Company Notices

AMER GROUP LTD

EXTRAORDINARY GENERAL MEETING TUESDAY, 12TH FEBRUARY 1985

NOTICE OF AN EXTRAORDINARY GENERAL MEETING OF SHAREHOLDERS

The extraordinary general meeting of Amer Group Ltd will be held on Tuesday 12th February 1985, at 10.00 am at the Group's headquarters in Tuusula, Finland.

The Board of Directors has decided to convene the extraordinary general meeting for the purpose of adopting the Board's proposal to increase the share capital by the means of a directed issue of shares in exchange for assets provided by Marimekko Oy's shareholders consisting of Marimekko shares.

The Board of Directors proposes for the approval of the general meeting that the Group's share capital be raised by not less than FIM 2 344 860 and not more than FIM 0.852 300 by the means of a new issue of shares, offering not less than 117.243 and not more than 492 675 new "A" shares with a nominal value of FIM 20 each and of which not more than 50.860 are free "A" shares, for subscription to the shareholders of Marimekko Oy in exchange for Marimekko Oy's shares, and in variance with the right of subscription by the shareholders of Amer Group so that

—two Marimekko Oy's "A" shares will equal seven Amer Group Ltd's new, restricted "A" shares and so that

—two Marimekko Oy's restricted "B" shares will equal seven Amer Group Ltd's new, restricted "A" shares, and so that

—five Marimekko Oy's free "B" shares will equal ten Amer Group Ltd's new free "A" shares.

The documents complying with Section 4, Paragraph 4, Clause 7 and Paragraph 6 of the Finnish Companies Act will be open for inspection by shareholders from Monday, 4th February 1985 at the Group's headquarters in Tuusula, Finland. Also from the same date, the Company will on request send to shareholders copies of the above mentioned documents.

In accordance with the Articles of Association a shareholder wishing to attend the general meeting has to register at the latest by Friday, 8th February 1985 at 4.00 pm at the Group's headquarters either by telephone 358-0-255 771 155 or by mail at the address: Amer Group Ltd, Box 12, SF-04301 Hyrylä, Finland. A shareholder who has not yet been registered must at that time provide evidence of title to his shares.

BOARD OF DIRECTORS

TOKYU DEPARTMENT STORE CO. LTD

NOTICE TO EDR HOLDERS

NOTICE IS HEREBY given that subject to shareholders' approval the above Company will pay a final dividend of Yen 3.50 per share to shareholders as of record date January 31, 1985. With effect from January 27, 1985, the shares will be traded ex-dividend in Tokyo. Subject to approval of the dividend Coupon No 12 will be used for the purpose of claiming such dividend and will be deemed to have matured on January 27 1985. With effect from that date Coupon No 12 should be detached from any EDR presented for surrender and will not be issued with any new EDR.

In accordance with usual practice the shareholders register will be closed from February 1, 1985 to February 28, 1985 and accordingly during such period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

A further notice will be published stating the amount payable in U.S. Dollars and actual payment date of such dividend which is expected to be at the end of April 1985 together with the procedure to be followed for obtaining payment thereof as soon as practicable after receipt of the dividend by the Depositary. Only upon such notice will any payment be made against presentation of Coupon No 12.

THE CHASE MANHATTAN BANK N.A.
London, as Depositary.

January, 1985.

BANQUE FRANCAISE DU COMMERCE EXTERIEURE

U.S.$400,000,000

Guaranteed Floating Rate Notes due 1987

In accordance with the provisions of the above mentioned floating rate notes, the rate of interest for the period January 28th 1985, to July 29th 1985 (182 days) has been fixed at 8-15/16% per annum.

Interest payable on each note of U.S. Dollars 10,000 - on July 29th, 1985 against coupon number 7 will be U.S. Dollars 451.84.

BANQUE INTERNATIONALE A LUXEMBOURG
Société Anonyme
Fiscal Agent

ECU 70,000,000
CREDIT FONCIER DE FRANCE

FLOATING RATE NOTES DUE 1994

NOTICE IS HEREBY GIVEN that for the three months from November 8th, 1984 to February 8th, 1985, the Notes will carry an interest rate of 9-11/16% per annum. The interest payable on each ECU 10,000 and ECU 100,000 Note on the relevant interest payment date, February 8th, 1985, against Coupon No. 2 will be ECU 253.06 and ECU 2,539.58 respectively.

The Fiscal Agent
BANQUE NATIONALE DE PARIS (LUXEMBOURG) S.A.

EUROPEAN COAL AND STEEL COMMUNITY

U.S.$20,000,000 8 5/8% 12 YEAR BONDS OF 1978
DUE 1st MARCH 1990

The Commission of the European Communities announces that the annual instalment of bonds amounting to U.S.$2,500,000 has been purchased for redemption on 1st March 1985.

LEUMI INTERNATIONAL INVESTMENTS N.V.

U.S.$60 MILLION GUARANTEED FLOATING RATE NOTES 1990 EXTENDIBLE AT THE HOLDERS OPTION TO 1993

The interest rate applicable to the above Notes in respect of the six months period commencing Wednesday, 30th January 1985 has been fixed at 8-15/16% per annum.

The interest amounting to U.S.$44.98 per U.S.$1,000 principal amount of the Notes will be paid on Tuesday, 30th July 1985 against presentation of Coupon No. 4.

BANK LEUMI TRUST COMPANY OF NEW YORK
Principal Paying Agent

Personal

BANCO DE CHILE
U.S.$35,000,000 Floating Rate Notes due 1985

In accordance with the provisions of the Notes notice is hereby given that the Rate of Interest for the next Interest Period has been fixed at 9 1/16 % per annum. The Coupon Amount will be U.S.$45.56 in respect of U.S.$1,000 denomination and U.S.$455.64 in respect of U.S.$10,000 denomination and will be payable on 31st July 1985 against surrender of Coupon No. 12.

30th Jan 1985
Manufacturers Hanover Limited
Reference Agent

INTERNATIONAL CAPITAL MARKETS

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. The following are closing prices for January 29.

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amex Credit 12⅝ 88	150	103¾	104⅛	0	+0⅝	11.16
Austria Rep 13⅝ 92	100	111⅛	111⅝	−0⅛	+1	11.23
Bank Of Tokyo 12⅝ 92	100	100⅞	101⅜	−0⅛	+0¾	12.37
Bank of Tokyo 13⅝ 91	100	107⅞	108⅜	−0⅛	+1⅛	11.71
Caisse Nat Tele 13¾ 91	100	108⅝	109⅛	−0⅛	+0⅞	11.66
Canadian Pac 12½ 89	75	103⅝	102⅞	−0⅛	+0¾	11.94
CBS Inc 11⅜ 92	100	98⅝	99⅛	0	0	11.59
Chevron U.S.A. 12⅛ 89	600	102½	102	−0⅛	+1	11.42
Creditanstalt 13⅛ 91	100	105	105½	0	+1½	11.86
Denmark Kingdom 13 91	100	105½	106	−0⅛	+1⅛	11.63
Denmark Kingdom 13⅛ 91	100	105½	106	+0⅛	+1⅛	11.91
Denmark 13⅞ 92 XW	100	106⅝	107⅛	0	+0⅝	11.30
[illegible]						
Saskatchewan 11 7/8 99	150	102½	104	−0⅛	+1⅛	10.80
Sec Pac O/S Fin 12 92	100	100⅞	101⅜	0	+1⅛	11.75
S.N.C.F. 12⅜ 92 XW	100	101⅛	101⅝	−0⅛	+0⅛	12.08
Statoil 12 88	100	103⅛	104⅜	−0⅛	+0⅛	10.39
Statoil 13½ 89	100	106⅛	103¾	−0⅛	+0⅛	10.95
Sumitomo Fin 12⅞ 91	150	104⅛	104⅝	0	+1⅛	11.69
Swed Exp Cred 12⅜ 88XW	100	104⅜	104⅞	0	+1⅛	11.36
Sweden Kingdom 11½ 89	200	100⅞	101⅜	−0⅛	+0⅞	11.17
Sweden Kingdom 11⅝ 94	100	100⅝	101⅛	−0⅛	+1	11.56
Texaco Capital 12⅞ 87	300	103⅞	104⅜	+0⅛	+0⅛	10.85
Texaco Capital 13½ 89	200	106⅛	107⅝	−0⅛	+0⅞	11.34
Toronto Dom Bk 12½ 88	100	†102½	103	0	+0⅛	11.31
Walt Disney Pro 12½ 97	150	103⅛	102⅝	0	+0⅛	10.91

	Issued	Bid	Offer	Change on day	Change on week	Yield
Weyerhaeuser 12⅛ 87	150	102½	102⅞	0	+0⅛	11.13
World Bank 12¾ 94	150	103⅝	104⅛	−0⅛	+1	11.55
World Bank 12⅞ 94	200	106½	107	−0⅛	+1⅛	11.84

Average price change On day −0⅛ on week +0⅝

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Allied Chemical 7½ 94	125	*†101½	102½	0	0	7.15
Amca Int'l 8⅛ 91	100	102¼	102	−0⅛	−0⅛	7.74
Asian Dev Bank 6 94	200	101⅛	101⅞	−0½	−1⅛	7.78
Austria Republic 7⅝ 94	200	100⅝	101⅛	−0⅛	−1	7.47
Baxter Travenol 7⅛ 94	200	100⅛	100⅛	0	−0⅛	7.17
Credit National 8⅛ 94	200	102½	103⅛	−0⅛	−0½	7.97
Degussa Int Fin 7½ 94	100	101½	102⅛	−0⅛	−0⅛	7.21
[illegible]						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]						
FGH 5¾ 92	110					
GGIm 5¾ 92	70					
Int-Am Dev Bk 5⅛ 94	120					
Japan Fin Corp 5½ 92	100					
Japan Highway 5⅜ 92	150					
Kansai Ele Power 6⅛ 92	100					
Manitoba Prov 5⅜ 94	100	†102	102⅝	+0⅛	−0⅛	5.46
New Brunswick 5⅝ 94	100	†100¾	101	−0⅛	−0⅛	5.58
New Zealand Govt 5¾ 94	150	†101	101¼	−0⅛	−0⅛	5.59
Quebec-Hydro 5⅞ 94	150	†101¾	102	0	−1⅛	5.61
Santos Finance Ltd 6 94	130	†101½	101¾	0	−0⅛	5.77
Shikoku Elec Pwr 5⅞ 92	100	†102¼	102½	0	−0⅛	5.48
State Bk N.S.W. 5¾ 94	100	†100¾	101	−0½	−0½	5.62

[illegible]

B.F.C.E. 5¼ 99	0¼	100½	100⅝	13/3		
B.N.P. 5¼ 95 (July)	0¼	†100¼	100½	21/1		
Chase Man'tan 5¼ 2009	0¼	99¾	100	5/2		
Citicorp O/S 5¼ 89 Sep	0¼	98½	100	10/12		
Credit Lyonnais 5¼ 98	0¼	100⅞	101¼	11/4		
Dai-Ichi Kangyo 5⅛ 96	0¼	100½	107	13/5		
Dresdner Fin 5⅛ 89	0	99⅞	100⅛	23/2		

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]						
Oki Elec Ind 3½ 99	10/84	885	84⅛	85⅝	+0⅛	[illegible]
Orient Leasing 5¼ 98	8/83	2580	107	108½	+0½	−2.[illegible]
Sekisui House 3 89	6/84	812	83	84	+0⅛	0.32
Sumitomo Corp 2⅞ 99	5/84	593	90⅝	91⅝	+0¾	4.14
Takeda Riken 3⅞ 2000	10/84	7863	85	86½	−0⅛	15.2[illegible]
Tokyo Sanyo Elec 3½ 99	12/84	772	91⅝	92⅝	−0⅛	1.85
Yamanouchi Pharm'cal 4 90	10/82	1483.2	226	228	+0¼	−[illegible]
Nippon Oil Co 2¼ 92 SF	3/84	1052	†105½	107½	+1¼	19.[illegible]
Nippon Shinpan Co 2 92 SF	3/84	001	†95	97	+0⅛	16.3[illegible]
Settsu Paper 2⅝ 92 SF	4/84	677	†157½	158½	+1½	−[illegible]
Asics 5 92 DM	12/82	520	104¼	105⅝	−0¼	25.9[illegible]
Sun Realty 6¼ 92 DM	2/83	385	176⅝	178⅝	−0⅛	−4.[illegible]

* No information available-previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield to redemption of the mid-price: the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week – Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C. date – Date next coupon becomes effective. Spread – Margin above six-month offered rate (†† three month; § above mean rate) for U.S. dollars. C.cpn. – current coupon. Cr. yld – current yield.

Convertible bonds: Denominated in dollars unless otherwise indicated. Chg. day – Change on day. Cnv. date – First date for conversion into shares. Cnv. price – Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem – Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Return of the fixed-rate dollar bonds

BY MAGGIE URRY IN LONDON

EUROBOND syndicate managers returned to launching fixed-rate dollar issues yesterday, with Société Générale causing some controversy over a $100m issue for the European Investment Bank (EIB).

The deal was won against competitive bidding and, said dealers, the 11 per cent coupon was ¼ or ½ per cent too low for its 10-year life, when compared with issues like the World Bank's.

The issue price was set at 100¼ and total commissions at 1¾ per cent, rather than the 2 per cent considered normal for a 10-year issue by a supranational borrower. Several syndicate managers turned down the deal.

Although dealings in the issue started well outside the fees, the trading level soon picked up to be bid at a 1¾ per cent discount to issue price – the level at which co-managers hold the bonds. Traders said the lead manager was buying bonds back to squeeze short-sellers.

Merrill Lynch brought an unusually long, 12-year straight issue for Citicorp raising $100m. The bonds are callable at par after six years. The coupon was set at 11¾ per cent and issue price at 99¼. Fees total 2¼ per cent and the bonds traded comfortably inside that level.

Another $100m issue appeared for Australia and New Zealand Bank, led by Morgan Stanley. The five-year bonds carry a 11¼ per cent coupon and par issue price, and also traded within total fees of 1¼ per cent.

BHF Bank bond average		
Jan 29		Previous
101.969		102.085
High	1984/85	Low
103.042		98.056

Further evidence that Japanese investors are beginning to tire of low-coupon bond issues aimed at them was produced by a $50m issue for Furukawa Electric.

These bonds have a seven-year life and a 11 per cent coupon with a 100½ issue price. Rather than being snapped up, the bonds were offered at a discount equal to the 1½ per cent fees. Lead manager is Banque Paribas.

Credit Suisse First Boston successfully launched a $250m floating-rate note for Security Pacific, the U.S. bank. The name is liked in the market and the issue featured a popular interest fixing – a monthly fix at 1/16 per cent above three-month London interbank offered rate (Libor) paid quarterly.

This allows holders to borrow at the one month Libor rate and receive the, usually higher, three-month Libor rate. The issue has a 12-year life with no put options, and traded around the 20 basis point selling concession.

Nomura International launched a $25m issue with equity warrants for Mitsui Petrochemical. This has a five-year life and the coupon is indicated at 8½ per cent.

Seasoned Eurodollar bonds were slightly lower yesterday in quiet trading. The New York bond market is giving little by way of a lead, and dealers are nervous about the higher Fed funds rate.

Westdeutsche Landesbank set the terms for Jujo Paper's DM 120m issue with equity warrants as indicated, with a 3½ per cent coupon and a 2½ per cent conversion premium.

D-Mark bonds fell by ⅛ to ½ points in the secondary market yesterday, with new issues faring even worse. Traders are unsettled by fears of interest rate rises and the weight of tightly priced new paper.

Swiss franc foreign bonds were little changed yesterday in quiet trading. The new KLM perpetual issue started trading at 101, compared to the par issue price. The deal had been heavily oversubscribed.

Crédit Suisse launched a SwFr 100m public issue for Chugoku Electric Power with an eight-year life and indicated 5¼ per cent yield. It also announced a SwFr 100m private placement, with a five-year maturity and indicated 5¾ per cent yield, for Settsu Paperboard.

The EIB, as well as raising dollars, is looking for SwFr 100m through a five-year private placement with a 5½ per cent coupon and 99¾ issue price. Lead manager is UBS.

Mitsui Petrochemical is also tapping the market for SwFr 50m through a five-year convertible issue, again led by UBS.

Handelsbank set final terms for Santos' SwFr 130m public issue as indicated with a 5¾ per cent coupon, while Bank Julius Baer cut the coupon on Pasco's SwFr 50m convertible from 2 per cent to 1⅞ per cent.

In the Euroguilder bond market Akzo, the Dutch chemicals and fibres group, launched a Fl 150m private placement, with a five-year life and 7 per cent yield. Lead manager is ABN.

Spain to tap U.S. commercial paper market

By Peter Montagnon in London

SPAIN is planning to raise funds in the U.S. commercial market in a further bid to reduce the overall cost of its foreign borrowing.

Bankers say it has been awarded the top A1 plus-P1 rating by Standard & Poor's and Moody's, the two leading U.S. credit rating agencies, and has now started work on details of a commercial paper programme expected to total $300m to $500m.

News of its plans comes barely a week after another European sovereign borrower, Denmark, announced its intention to raise funds in the commercial paper market, where rates are traditionally lower than in the Euromarket.

But bankers expect that Spain could approach the market more cautiously than Denmark, possibly first launching a pilot scheme by using a state sector borrower with a full government guarantee such as Renfe, the railway network. Only later would the kingdom borrow in its own name.

Spain's decision to tap the commercial paper market emphasises the degree to which a broad range of European borrowers have now turned their attention away from traditional Euromarket financing, causing a shortage of business and growing liquidity in the syndicated bank loan market.

But its ability to tap the commercial paper market has been helped by a string of positive economic indicators, including a current account balance of payments surplus of $2bn in 1984 when inflation sank to 9 per cent, the lowest since 1972.

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE — 29th January, 1985

MAGYAR NEMZETI BANK

NATIONAL BANK OF HUNGARY
(Magyar Nemzeti Bank)
(Incorporated in Hungary as a joint stock company with limited liability)

U.S. $100,000,000
Floating Rate Notes due 2000
Issue price 100 per cent.

Nomura International Limited

Arab Banking Corporation (ABC)	Deutsche Bank Aktiengesellschaft
IBJ International Limited	Lehman Brothers International (Shearson Lehman/American Express Inc.)

LTCB International Limited

Banque Nationale de Paris	Creditanstalt-Bankverein
Daiwa Europe Limited	First Chicago Limited
Kansallis-Osake-Pankki	Lloyds Bank International Limited
Morgan Guaranty Ltd	J. Henry Schroder Wagg & Co. Limited
Sumitomo Finance International	Sumitomo Trust International Limited
The Taiyo Kobe Bank (Luxembourg) S.A.	Takugin International Bank (Europe) S.A.

Tokai International Limited

Notice of Redemption and Expiration of Conversion Rights

ISE Finance Holdings S.A.

4½% Sinking Fund Debentures Due 1986
(Convertible on and after January 1, 1967 into Common Stock of International Telephone and Telegraph Corporation)

NOTICE IS HEREBY GIVEN that, pursuant to the provisions of the Indenture dated as of March 1, 1966, as amended, under which the above described Debentures were issued, $99,000 principal amount of the said Debentures of the following distinctive numbers has been drawn by lot for redemption on March 1, 1985 through the operation of the Sinking Fund at the redemption price of 100% of the principal amount thereof, together with accrued interest thereon to the date fixed for redemption:

COUPON DEBENTURES BEARING THE PREFIX LETTER D
($500 Denominations)

D 83	195	279	454	589	697	798	907	1196	1512	1865	2048
98	206	305	479	631	740	827	993	1283	1770	1917	2053
122	246	339	563	684	761	830	2092	1408	1805	2026	2058

COUPON DEBENTURES BEARING THE PREFIX LETTER M
($1,000 Denominations)

M 1	2345	3875	4418	6470	7181	7826	8826	9655	9877	10163	11420	12853	12895
837	2518	4061	5733	6541	7191	7853	8841	9658	9898	10164	11421	12361	12953
1254	2559	4139	5842	6562	7408	7855	9360	9755	9986	10281	11500	12444	13114
1270	3066	4141	5850	6600	7667	8017	9379	9769	20003	20407	11803	12464	
1441	3085	4198	5854	6827	7680	8165	9385	9804	10068	10979	11991	12598	
2310	3184	4277	6254	6945	7699	8525	9401	9876	10078	11183	12083	12777	

The Debentures referred to above will become due and payable, and Upon Presentation and Surrender Thereof (with all coupons appertaining thereto, maturing after March 1, 1985), will be paid on said redemption date at the Brokers Services Department, 5th Floor of Citibank, N.A., 111 Wall Street, New York, N.Y. 10043, at the offices of Citibank, N.A., in London and Paris, or at the office of Societe Generale de Banque S.A. in Brussels, Dresdner Bank Aktiengesellschaft in Frankfurt and Banque Generale du Luxembourg in Luxembourg, as the Company's Paying Agents. On and after said redemption date, interest on said Debentures will cease to accrue.

Coupons maturing March 1, 1985 should be detached and presented for payment in the usual manner.

The above specified Debentures called for redemption may be converted at the option of the holders thereof and at the principal amount thereof into fully-paid and non-assessable shares of Common Stock of International Telephone and Telegraph Corporation ("ITT") at the conversion price of $40.45 per share upon delivery of such Debentures to any of the offices above accompanied by written notice addressed to ITT electing to convert such Debentures and stating the name(s), address of the person(s) for registration of the shares of Common Stock and whether such person(s) or beneficial owner(s) are aliens as to the United States, with all unmatured coupons appertaining thereto attached, at any time until the close of business on said redemption date. Upon conversion of any Debenture, no payment or adjustment on account of interest accrued on any Debenture so converted or on account of any dividends on the Common Stock delivered upon conversion will be made and no fractional shares of Common Stock will be issued. AT THE CLOSE OF BUSINESS ON SAID REDEMPTION DATE SUCH CONVERSION RIGHTS WILL TERMINATE AS TO ALL DEBENTURES BEING REDEEMED AS SPECIFIED ABOVE.

NOTICE

Withholding of 20% of gross redemption proceeds of any payment made within the United States is required by the Interest and Dividend Compliance Act of 1983 unless the Paying Agent has the correct tax identification number (social security or employer identification number) or exemption certificate of the Payee. Please furnish a properly completed Form W-9 or exemption certificate or equivalent when presenting your securities.

ISE FINANCE HOLDINGS S.A.
By: Citibank, N.A. as Trustee

January 30, 1985

The Finnish Paper Mills' Association – Finnpap

U.S. $100,000,000

Floating Rate Notes Due 1995

In accordance with the terms and conditions of the Notes, the rate of interest for the interest period January 30, 1985 to July 30, 1985 has been fixed at 8⅞% per annum. Interest payable on July 30, 1985 will be US$446.22 per Note of US$10,000.

Agent
Morgan Guaranty Trust Company of New York
London Branch

ASICS CORPORATION

NOTICE TO EDR HOLDERS

Notice is hereby given that the shareholders register will be closed from January 21, 1985 to February 20, 1985. Accordingly during this period it will not be possible to register the transfer of shares withdrawn against the surrender of EDRs.

EDR Holders are further informed that January 20, 1985 is the record date for determination of persons who will be entitled to receive the year-end cash dividend.

With effect from January 17, 1985 the shares will be traded ex-dividend and EDR Holders are advised that coupon No. 7 to the EDRs will, subject to Directors' approval of the dividend, be used for the purpose of claiming such dividend and will be deemed to have matured on that date. Accordingly coupon No. 7 should be detached from the EDRs presented for surrender and will not be issued with any new EDR.

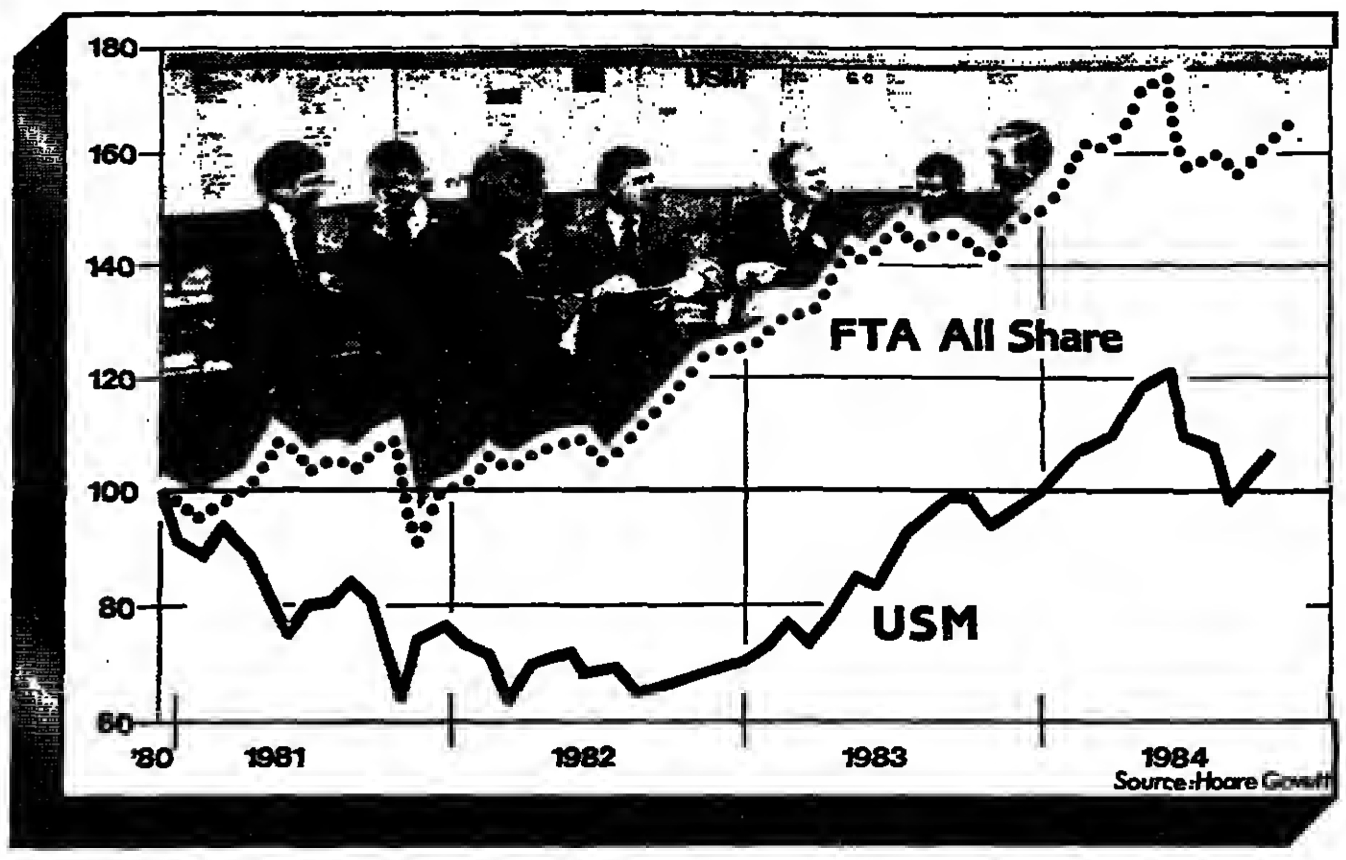
Subject to Directors' approval of the dividend, a further notice will be published stating the amount and actual date of payment of such dividend, together with the procedure to be followed for obtaining payment thereof, as soon as practicable after receipt of the dividend by the Depositary. Only upon such notice will any payment be made against the presentation of coupon No. 7.

THE CHASE MANHATTAN BANK N.A.
January, 1985 — London as Depositary

FINANCIAL TIMES SURVEY

Unlisted Securities Market

The junior stock market has developed beyond the most optimistic hopes and has established itself as the biggest source of equity capital for small businesses in the UK



Picture by Trevor Humphries USM index is that of Datastream.

CONTENTS

Boisterous youngster has come of age

By William Dawkins

THE Unlisted Securities Market was in its early days likened to a boisterous child.

That simile seemed apt enough for a market which was volatile, unpredictable, and was looked upon by the City as an excitable youngster with an uncertain future. But now the USM has a very different reputation.

All the major issuing houses have come to see it as a valuable opportunity to forge relationships with entrepreneurs who should become the important corporate clients of tomorrow.

The junior stock market has established itself as the biggest single source of equity capital for small businesses in the UK, and while it is still experiencing growing pains, it has developed beyond the Stock Exchange's most optimistic hopes.

Last year, a record 101 companies joined the USM, bringing the total to have been admitted to the market to 337, according to the Stock Exchange. That includes 42 companies which have graduated to a full listing, one of the most important functions set for the USM when it was created in November 1980.

Another six groups have been suspended, 11 have been taken over, seven have been reorganised and one quotation has been cancelled, leaving an end-of-1984 head-count of 270 USM quoted companies.

Despite the growing number of graduates to the full board, which wiped £600m off the USM's market capitalisation last year according to stockbrokers Hoare Govett, the total value of the USM in the past 12 months has grown by 22 per cent to £2.9bn.

Meanwhile, the pace at which young companies are tapping the market for funds is accelerating. Last year's newcomers raised £193.2m from their flotations, of which 56 per cent represented new money for their companies' development, with the rest going to existing shareholders and directors.

Existing companies raised another £68.4m from rights issues in 1984, bringing the grand total raised by USM companies to date to £731.7m, equivalent to a quarter of the USM's current market capitalisation.

The USM owes its break-neck expansion to the release of a pent-up demand for equity capital and an easier route to a flotation at a time when the economic and political climate is set fair for the growth of small businesses.

Before the USM's inception, young companies had been deterred from joining the full market by the high costs involved — currently around £620,000 for an offer for sale —and by the fact that they had to jeopardise their independence by releasing at least a quarter of their equity to the public.

As a result, an increasing number of companies turned to unofficial markets outside the SE's auspices, providing something of an embarrassment for the regulatory authorities.

By introducing less onerous reporting and advertising requirements, the USM has brought down issue costs in absolute terms to around £150,000 for a placing and £355,000 for an offer for sale, though as a proportion of the value of the shares being marketed—between 8 and 9 per cent—USM flotation costs are in line with those on the full market.

Another attraction was that USM companies had only to release 10 per cent of their equity, although that still does not provide an absolute guarantee of independence, as the Twinlock office equipment group found to its cost when after attracting the attention of Acco World Corporation of the U.S. it was taken over in an agreed bid just over a year after its USM debut.

In practice, the average proportion of publicly available equity on the USM is 34 per cent, reflecting the extent to which companies have released more shares through rights issues and sponsors' attempts to avoid over-narrow markets.

Apart from fund-raising, other attractions of a USM flotation include an independent valuation of the company, the availability of quoted shares for acquisitions and employee incentive schemes and the prestige connected with public status.

Some companies would have found it impossible to raise finance from any other source. Micro Business Systems, for instance, Britain's largest independent distributor of business microcomputers, used £18m worth of its USM quoted shares to take over three companies in the year before it graduated to a full listing last September.

"People are deeply reluctant to take shares in a private company, and not even the most sporting bank would have lent us that," says Mr Clive Richards, the group's chairman. He maintains that the mere fact of being quoted on the USM helped Micro Business Systems to win business.

"Junior computer companies like us have an untidy record of feast to famine. If you have the regular reporting discipline of a listing, it gives you more credibility to customers. At least they can look at your accounts every six months," he says.

Despite its catalogue of successes, the USM still exhibits some areas for concern. The market as a whole is admittedly less volatile than in its early days, when it was ill-served by its dependence on oil and computer-related shares, which made up almost half of the USM's value a year ago.

Oils now account for 13 per cent of the USM's capitalisation, with the computer sector taking another 20 per cent. They have been diminished by the disappearance to the full market of some of their largest constituents and by the growth of other sectors like public relations and design, with the arrival of companies like Valin Pollen, Addison Communications, and Craton Lodge and Knight.

However, electricals have also suffered a serious reverse. Fiercely competitive conditions in the microcomputer industry have brought a spate of disappointing results from groups like Acorn Computer, Memory Computer and Cifer.

The electrical sector's fall from favour was primarily responsible for dragging the Datastream USM leaders' index down from its May peak of 118.54 to 104.64 at the end of the year, just 6.71 points ahead of its January 1984 figure.

Meanwhile, the volatility of

CONTINUED ON NEXT PAGE

Unlisted Securities Market 2

The benefits of defining objectives

Achieving Quotation

WILLIAM DAWKINS

WHILE THE USM has succeeded in providing a relatively easy way for young companies to raise equity finance, they have certainly had to work hard for the privilege.

Few USM debutants appear to have had an entirely accurate idea of the volume of work and the costs they were letting themselves in for when they embarked on the long journey—anything between three and nine months — towards joining the junior stock market.

The average placing last year cost around £150,000, while the average offer for sale cost the companies involved a sobering £350,000. Professional advisers' fees have risen steeply in the last six months, provoking a rash of complaints from cost-conscious flotation candidates.

Accountants Touche Ross estimate that the average cost of a share placing — the most common method of entry to the USM — has risen by 20 per cent in the four years since the market opened. However, to put that in perspective, that increase is just three points ahead of the general inflation rate during the period.

These figures do not, of course, take account of the hidden costs of management time taken up in preparing for a USM float; and these can be considerable. One recent entrant, Hawtal Whiting, an engineering design consultancy, estimated that the 190 working days spent by its three directors and their own chartered accountant, in preparing for the market, cost the company almost £50,000. Professional fees came to £130,000.

The minimum entry requirement set by the Stock Exchange are not in themselves over-burdensome, though most sponsors do press for tougher conditions to protect themselves when staking their reputations on comparatively unknown companies.

The two most important requirements are:

- At least 10 per cent of the company's equity must be available to the public, as against 25 per cent on the full board. In practice, the average USM entrant is currently issuing more than 25 per cent, according to stockbrokers Hoare Govett. This reflects entrepreneurs' concern to get the best value from their high fees as well as sponsors' wishes to have more shares available to the public in the interests of preserving an active market in which they can pick up commission earnings.

- At least three years' audited and unqualified accounts must be provided, as against five on the full market. Start-up ventures with fully researched and costed projects are sometimes admitted.

Apart from the senior management time involved, one key drawback of joining the USM is that the company might attract the attentions of an unwelcome bidder if a high proportion of shares are sold. Moreover, the management could easily feel inhibited by its new responsibilities to shareholders and the continual scrutiny it will experience from investors, stockbroking analysts and the press.

Founding shareholders also need to consider how they will handle the potential hefty capital transfer tax liabilities they will incur should their shares reach a high value on the USM.

The key advantages of a flotation are that it is an easy way of getting an independent valuation of the company, while raising development capital for the business, and permitting directors and outside shareholders to cash in on years of hard work or risk-taking.

Many unquoted companies, incidentally, have found it easier to raise equity finance from private placings if they can offer shareholders the prospect of realising their potential profits at a USM flotation some time in the future.

Clearly, USM-quoted paper can be a useful currency for acquisitions, especially for small companies with limited cash. Shares can also be offered to employees as an incentive.

Several groups have reported that a USM quotation has improved their standing with customers and suppliers, as well as their creditworthiness with bank lenders. By the same token, adverse publicity can magnify problems which might otherwise have been discreetly swept under the boardroom carpet.

And the preparation for a flotation can in itself be beneficial by forcing a company to define its objectives more clearly and by helping it to spotlight and overcome any management or structural weaknesses.

The first step towards a flotation is to select a team of professional advisers, which must include a reporting accountant — which might be your auditor—a solicitor, stockbroker, and possibly a merchant bank if your company is large or complex.

It is worth bearing in mind that a merchant bank's corporate advice can add between £25,000 and £75,000 or more to the issue costs.

As the USM has become more established, professional advisers have become increasingly aggressive in pitching for business.

Professionals' "beauty parades" have become a frequent occurrence, although the selection process sometimes works the other way as well. One worrying feature is that a number of companies are still being rejected by the first broking sponsor they approach only to turn up on the USM later under a less choosy firm's colours.

The next key decision is how much to raise and what method to use. More than 60 per cent of the companies to have joined the USM to date chose a placing, whereby the sponsoring stockbroker will sell the shares to be marketed through his own clients.

Stock Exchange rules demand that a quarter of the issue must be made available through the jobbers to the general public in the interests of maintaining a wide market.

Placings are subject to a £3m limit on the value of the shares being sold, and the candidate's market capitalisation is not expected to exceed £15m. Companies worth more than £15m or marketing over £3m worth of shares must join the market through an offer for sale, which may be by fixed price or by tender.

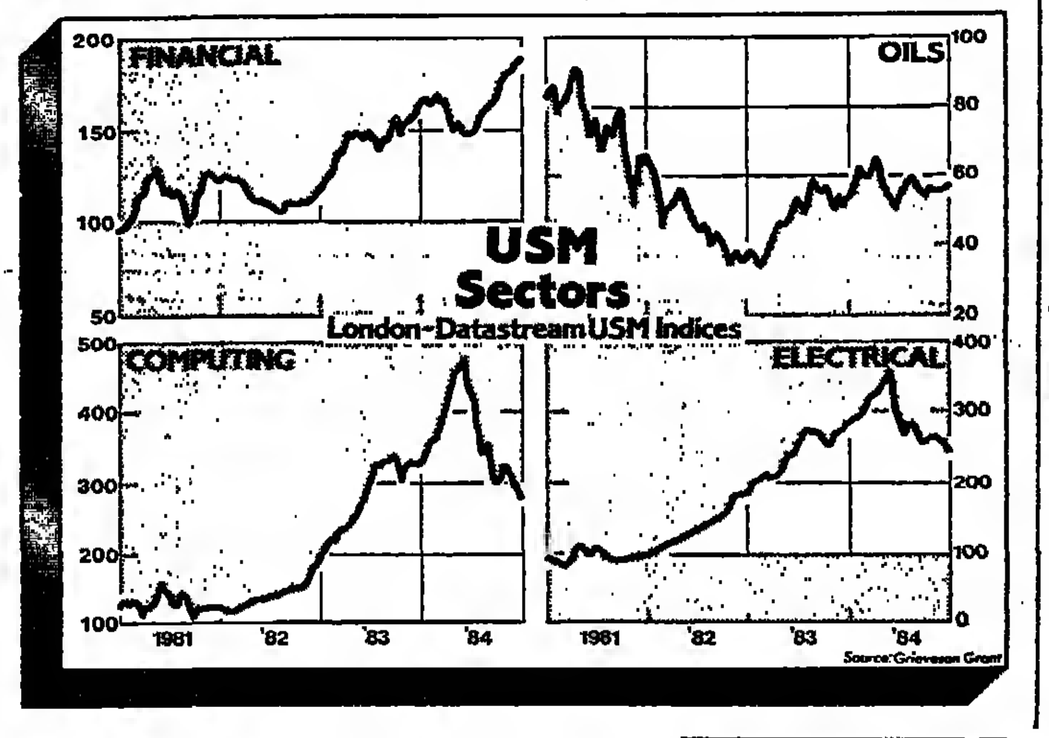
Under this method, all the shares being sold are advertised to the public direct. Hopeful investors apply on a form attached to the prospectus. Only 12 of the 101 companies which were admitted to the USM in 1984 joined through an offer for sale.

The cheapest way of getting on to the USM is through an introduction, which accounts for roughly a quarter of all USM flotations. The average cost is upwards of £50,000, though two companies, the brewers Eldridge Pope and Fuller Smith and Turner, did achieve introductions for a mere £3,000.

This method is reserved for companies which already have at least 10 per cent of their equity in outside hands and are marketing no new shares. They do not have to publish a prospectus, the preparation of which is usually the biggest single element in the cost of going to the USM.

Once the prospectus has been drawn up and the SE's permission for a quotation sought, the most difficult aspect of going to the market is without doubt deciding on the price of the shares to be sold. Most sponsors like to build in a 10 to 15 per cent premium to stimulate investors' attention. Not surprisingly, the entrepreneurs prefer to give away as little as possible.

This can lead to often emotive, last-minute haggling between stockbrokers and their USM clients.



Coming of age

CONTINUED FROM PAGE 1

some individual shares has been exacerbated by their extremely limited marketability. A handful of buyers and sellers can produce dramatic price movements which often give an exaggerated or imperfect impression of a company's state of health.

One beneficiary of this trend has been the successful beauty care chain The Body Shop International, the USM's star performer of 1984. In the nine months since it joined the market last May, the group's stock, which can only be traded in parcels of 1,000 shares, shot up by 394 per cent to 470p, a staggering 130.6 times last year's earnings.

By the same token, investors in a thinly traded stock which runs into trouble will get the sensation of plunging down a precipice. An example is Adam Leisure, the Harrogate-based distributor of hand-held electronic games which saw its share price more than halve within the space of a few days early last year when it announced that Christmas sales had fallen 50 per cent below budget. In the year to end-December, Adam's shares had declined by a sobering 84 per cent to 15p, just under two times 1983 earnings.

Another area for anxiety is the uncertain quality of some start-up ventures to have joined the USM. They are admitted under a rule which permits greenfields companies so long as they have a fully researched project using proven technology. Normally, entrants must possess a three-year trading record, as opposed to five years for a full listing.

With few exceptions, the USM's start-up ventures have received a dismal welcome from investors. Their plight is exemplified by Synterials, a Dutch producer of synthetic industrial materials which raised £20m last December in the USM's biggest ever fund-raising exercise.

Since then, the company has produced larger than expected losses, run into production problems and lost through ill health its technical director, who supplied the inspiration for its process.

Originally issued at 100p, the shares now languish at 33p, inviting the question of whether Synterials and companies like it would have fared better in the private venture capital market with a small band of expert investors ready to be involved in running the business.

Another area for concern has been the parallel growth of the over-the-counter market. While the OTC is only a fraction of the USM's size, it has thrived on the fact that OTC stocks qualify for tax relief under the Government's Business Expansion Scheme.

This incentive is denied to USM investors, and is believed to have been a factor in attracting a number of potential USM candidates to the OTC.

The SE authorities have long campaigned to have the tax treatment of the two markets equalised, but their pleas have fallen on deaf ears in Whitehall.

A final and important concern is that the USM has still not been tested in a severe bear market, although it held up surprisingly well when share prices in general took a dive early last summer.

Nonetheless, the junior market looks set to attract an increasing number of new companies in the year ahead, barring any serious reversal of general market sentiment. Tougher full listing requirements recently introduced by the European Community are expected to encourage more of the larger flotation candidates, which are undecided between the USM and a full quotation, to go for the junior market.

Meanwhile, the supply of smaller businesses eager for a quotation appears to be as generous as ever, even if some observers are anxious about their quality.

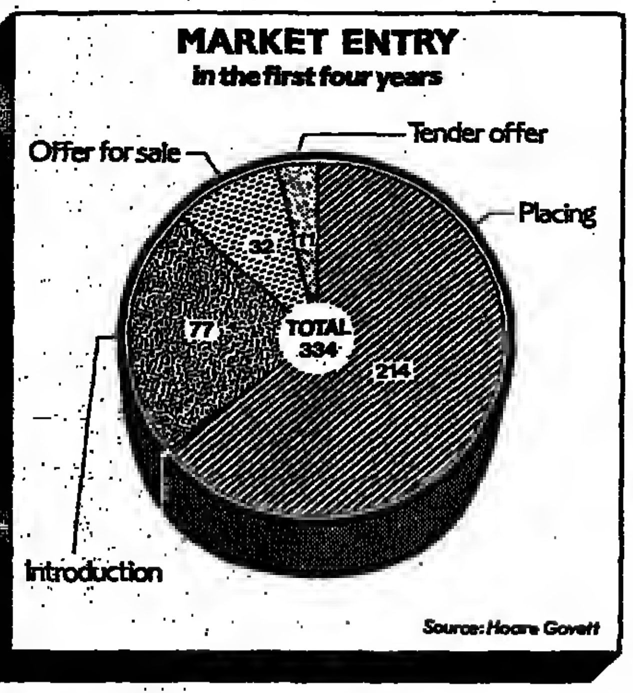
Unlisted Securities Market 3

Major statistics of the USM

Major Flotations of 1984

Company	Business	Market cap.	Date
Microvitec	Colour display monitors	£48.9m	May
North Sea and General Oil Investments	Oil exploration	£32.6m	March
Ennex International	Oil and mineral exploration	I£26.7m (£22.6m)	June
TDS Circuits	*Multilayer printed circuit boards*	*£26.6m*	*July*
Access Satellite International	Movable scaffolding towers	£25.4m	November
Industrial Scotland Energy	Oil and gas exploration	£22.7m	August
Hunter Saphir	Fresh fruit and vegetables	£18.6m	June
Powerline International	Power supply equipment	£17m	March
Spectrum Group	Home computers, software and peripherals	£15m	June
CPS Computer Group	IBM distributor	£14.7m	March

Source: Datastream.



USM Market analysis

AGGREGATED MARKET DATA

Total capitalisation	£2,830m	Net tangible assets	£998m
Free capitalisation	£954m	Net debt	£117m
% free	34%	Ratios:	
		NTA/market cap. %	35%
Pre-tax ratio	15	Capital gearing	12%
P/E ratio (actual)	19	Income gearing	8%
Yield	2.4%	Acid ratio	1.0

MARKET BREAKDOWN BY ACTIVITY	Market capitalisation £m	%	No. of companies
Building materials	90	3	5
Construction	40	1	9
Electronics	516	18	33
Electricals	61	2	6
Engineering	43	2	9
Metals	13	1	5
Motors	15	1	3
Industrial Materials	102	4	4
Brewers	93	3	7
Food	116	4	10
Leisure	240	9	24
Publishing	31	1	4
Packaging	12	0	4
Stores	160	6	11
Textiles	9	0	3
Other consumer	40	1	7
Chemicals	33	1	6
Office equipment	36	1	4
Miscellaneous	374	13	51
Oils	359	13	15
Property	115	4	17
Miscellaneous financial	166	6	15
Other	23	1	2
Foreign	143	5	12
TOTAL MARKET	2,830	100	266

MARKET BREAKDOWN BY SIZE			
Market capitalisation:			
Below £2.5m	66	2	42
£2.5m-£10.0m	765	27	140
£10.0m-£20.0m	737	26	53
Over £20.0m	1,262	45	31
TOTAL MARKET	2,830	100	266

Source: Hoare Govett

Best and worst performers

Company	Price at *January 1* 1984 (or at issue) p	Price at *December 15* 1984 (or at recent results) p	Percentage gain
Body Shop†	*95*	*470*	394
Valin Pollen†	110	362	229
Microfilm Reprographics	53	170	218
Scantronic†	78	198	154
French Connection	145	365	*152*
Michael Peters	97	245	152
			Percentage *fall*
WORST PERFORMERS			
Adam Leisure	94	15	84
Cifer	121	21	83
Immediate Business Systems	115	34	71
SelecTV	32	10	69
Bula Resources	41½	13	69

† New issues.

Source: Grieveson Grant.

Profile: TDS Circuits

By Stefan Wagstyl

Horizons widen following flotation

FEW ELECTRONICS companies are as modest about their product technology as T D S Circuits, one of *Europe's largest manufacturers* of complex printed circuit boards. Equally few can be as proud of their production *techniques*.

"We are not as product-oriented as some companies," says Mr David Taylor, managing director, who founded the company in 1974 with his chairman, Mr Herbert Cann. "We are commodity producers. We need to have a very commercial approach."

Circuits, based in Blackburn, Lancashire, concentrates on the more complex end of the printed circuit board market. The market overall falls into thre segments—single-sided *boards* where components are connected on one side only (most commonly used in consumer elec*tronics*), *plated through the* hole (PTH) boards in which components appear on both sides (used, for example, in computers), and multiplayer boards where circuits can be made up across several layers (used in aerospace and military electronics and in computers).

Circuits began by *making* only PTH boards, mostly on small batches, but in 1979 deliberately moved into multilayer boards, *which* now account for 80 per cent of output. The company has about 10 per cent of the UK multilayer board market, with GEC and Plessey as major customers.

The new market was not easily won. Profits for the years to the end of February 1981 and 1982, which were in any case depressed by recession, suffered from the heavy start-up costs of making multilayer boards.

Pre-tax profits recovered strongly from £180,000 in 1982 to £1.4m a year later, and rose to £1.7m on sales of *£7.8m* in 1984. The *current* year is stronger still: In the first *half* of 1984-85 Circuits made £1.3m.

The company is continuing to invest heavily in production technology to maintain efficiency and expand output.

Work is *starting* soon on a new factory, which, when ready in two years' time, should allow Circuits to increase output by *almost three* times.

Extra capital

A major reason for last year's flotation on the USM was the need to raise extra capital—£1.4m from the issue—to fund this ambitious programme.

Trading margins are high—25 per cent last year—but TDS believes that the high cost of developing production capacity restrains new companies from entering the field.

"We have the advantage because we are already here," says Mr Taylor. The chief competitors in an expanding UK market are subsidiaries of Standard Telephones and Cables, Italy's Olivetti, France's Matra and an independent company, Prestwick Circuits.

Mr Taylor believes that the USM flotation has given the company wider horizons. "We can take a broader view and look more at long-term plans.

He has some advice for companies planning a flotation. "If you are going public prepare for it for at least three years ahead, or five years, which is what we did; and get good advisers."

Unlisted Securities Market 4

Share marketability an advantage

Moving to a Full Listing

ALISON HOGAN

TO MOVE or not to move is a question often pondered by companies quoted on the Unlisted Securities Market. About one in five of those which have joined the USM since it opened for business in November 1980, and have not been taken over, have made the transition to a full listing.

A rush of companies took the leap to the upper house in the months before Christmas ahead of the proposed changes to the Stock Exchange "Yellow Book." This is a list of regulations governing the admission of securities to listing. The companies feared that the new rules would be more onerous, probably making the process of transition more costly.

The new rules have now been published, taking effect from the beginning of 1985. There are a number of major changes which are being carefully studied by financial advisers to assess their consequences. On balance they feel the changes favour neither market strongly.

Small, but acquisitive companies may prefer a USM quotation. Listed companies now have to publish full listing particulars on any occasion when they plan a merger, takeover, or acquisition involving the issue of 10 per cent or more new equity.

The Stock Exchange says the principal purpose of the USM is to "provide a formal regulated market designed to meet the needs of those smaller, less mature, companies unlikely to apply for listing."

It accepts that "some companies, as they expand, would see particular benefits for them in moving up to a listing but there is no obligation to make the transition."

There are a number of reasons for and against seeking a listing. Some companies have quite openly chosen the USM as a cheaper route to the main market, moving up as soon as the minimum stay of a year has passed.

Hambros Bank, which has advised 10 companies on seeking a quotation, has surveyed the companies that have made the transition and found that 30 per cent of these chose to join the full list at the time of the announcement of a major acquisition. A further 30 per cent decided to go up for reasons of greater share marketability.

Most companies choose the time of the announcement of their annual results to make the move, probably resulting in savings in professional fees. The results are invariably good, and often accompanied by plans for general expansion.

The main market is perceived to many as enhancing the status of a company in the eyes of investors and business customers and suppliers.

Companies have usually tried to capitalise on thet publicity attached to the move. A full listing may attract the attention of some institutional fund managers who usually have only a very small proportion of funds earmarked for USM stocks.

On the other hand, companies who expect the mere fact of a listing to open lots of institutional doors, will probably be disappointed. Most of them will be expected to go through a trial period until reaching a certain market value and stage of maturity.

Aidcom International, the design, market research and high-tech consultancy group, moved up to a full listing in April last year. Monty White, Aidcom's finance director, said that the transition proved to be pretty painless. "It had always been part of the plan," he said.

He thought the status of a full listing probably assisted the company in establishing its credibility in the U.S., where in June it completed its largest acquisition to date with the purchase of San Francisco-based S & O Consultants.

The marketability of a company's shares is probably an important consideration for most companies. Hambros Bank lists the following advantages which are thought to flow from increased marketability:

- Greater stability in the share price.
- Greater acceptability of shares as consideration for acquisitions.
- Greater ability of major shareholders to sell shares with a less damaging effect on the share price.
- Arguably a removal from susceptability to a downturn which might occur in the USM if economic circumstances were to change so as to make more vulnerable smaller less mature companies, typical of the junior market.

Given the high ratings which many USM companies have enjoyed (though more recent issues have tended to show a more conservative valuation) the effect of the transition on a company's share price is often a burning consideration.

Most price earnings ratio's decline after some time on the main market. There are technical factors behind the stratospheric ratings of some USM companies, including very narrow markets caused by the limited number of shares available.

Also, some companies, still very young, can often have a tremendous burst in profits and turnover on small fixed costs. This tends to slow as the company plans the next stage of expansion, and working capital requirements increase.

Hambros Bank examined the performance of a number of stocks which had graduated to the Official List and found that a company's share price often seemed to track the FTA index as, or more, closely than the relevant USM index. This seemed to be the case both while companies were on the USM and following their transition.

Gilbert Chalk of Hambros Bank believes that the transition in itself does not affect a particular company's share price, but in a good number of instances, the reason for the transition does have an affect."

"I feel that the investor is really looking to base his view of a company's share price on the quality of management, industry and its own likely profit achievements within that industry. Therefore this view is unlikely to be swayed merely by a transition to the full listing," he says.

Useful publicity tool for services

Accountant's Role

ALISON HOGAN

HUNDREDS of people have contacted chartered accountants Touche Ross since they began their advertising campaign urging businesses contemplating a USM quotation to "get in touche."

With over 300 paper millionaires created through the USM it is perhaps not surprising that "some small businesses look to the USM as a sort of moneybox and think they can just go to the market next week," according to Mr John Roques, partner in charge of the London office of Touche Ross.

Only a small proportion of the people who contact Touche Ross and other firms of accountants will actually end up going public. They are often surprised at the assistance the accountants can give them in developing their business and of the range of alternative sources of finance available in addition to seeking a flotation.

The USM has proved a useful publicity tool for the accountants' services. Peat, Marwick Mitchell was one of the first of the big firms to recognise its potential as a source of business with the result that by the end of 1984 it had acted as reporting accountants to 56 USM flotations, more than double the number of any other firm.

Mr Alan Comber, Peat's USM partner, said that it is difficult to estimate how many clients have emerged because of the USM. "Many would have come through the door anyway, but conceivably some are coming slightly earlier." He feels there is a wider awareness of the financial requirements for expansion and raising money. "More people arrive with a business plan in their heads, with a clear idea of what they want to do," he added.

Their aspirations often prove overly ambitious, however. Most firms conduct an intensive business review of a prospective client to assess their financial needs and stage of development. Touche Ross and Deloitte, Haskins & Sells say that their initial consultation is free.

"The preliminary review highlights the critical factors which need to be serviced," according to Mr Comber.

The accountants prefer to get involved with a Ciient np to two or three years before a flotation. It gives them and the company plenty of time to get balance sheets in order, to disentangle family shareholdings and taxation problems, and to settle any outstanding litigation, however minor.

The accountancy profession has always done a certain amount of corporate finance work in addition to undertaking its traditional audit and advisory functions. It is taking advantage of the new less regulated atmosphere to market such services more aggressively, sometimes in competition with other financial advisers, such as stockbrokers and merchant banks as well as other accounting firms.

Mr Roqnes believes that the profession is at "the relative early stages of a trend for medium-sized businesses to have their initial contacts for corporate financial advice with accountants."

He feels that the emergence of a number of large securities houses, as a result of the financial services revolution, could lead many merchant banks to concentrate on larger companies and international business, leaving the smaller end of the market for the accountancy profession to handle.

Most of the large firms of acountants have a nucleus of professional staff who concentrate on USM work. Mr Comber at Peat Marwick makes sure that all USM work done by the firm is of the same standard and approach and he keeps the firm's informatioo base up to date. "But if a job goes into the Birmingham office, it is done exclusively out of Birmingham," he said.

At Deloitte, Haskins & Sells, five partners concentrate on flotations, both for the USM and the main market. Mr Graham Cole, the national USM partner, says that when a regional office has a cliect who wants to come to the USM, he goes through the requirements with them "but it is the local guy who will actually sit with the client through the whole process." This way, the expertise is concentrated into a few hours. "The client should not have to pay for learning time," said Mr Cole.

The firm's USM experts usually get more closely involved if they are invited later in the process, either by another firm of accountants or a sponsor, to act as reporting accountants to a company. Preparations for a flotation may be quite well advanced and the accountants then have a "sharp learning curve," according to Mr Patrick Harrex, financial investigations manager at Spicer and Pegler.

Their main task is the preparation of the long form report, to check tax clearances and to prepare certain placing documents.

Accountancy firms have been known to turn down appointments as reporting accountants if they cannot then keep the client and become its full time auditor. Most firms, however, manage to come to an amicable arrangement by which the company retains its original auditor, hnt can call upon the reporting accountant, usually a mnch larger firm, for specific advice when necessary.

In time, if a company is expanding, it will tend to outgrow its small local firm, seeking increasing industry specialist advice or overseas representation.

Some accountants have reported cases of "low balling" when a firm quotes an unrealistically low price to win a job, though none will officially own up to such a practice.

The practice does not appear to be widespread, but usually occurs on a regional basis when a firm is weakly represented and wants to build up its client base. Mr Harrex said that although price competition is keen, the type of service a firm offers is more often the deciding factor. "The client wants someone who understands the business and will offer a direct personal service."

The unlisted securities market flotations by reporting accountants

To December 31 1984

REPORTING ACCOUNTANT	Number of flotations
Peat Marwick	56
Touche Ross	25
Arthur Andersen	24
Ernst and Whinney	22
Deloitte Haskins and Sells	21
Arthur Young McClelland Moores	17
Price Waterhouse	17
Coopers and Lybrand	15
Thomson McLintock	15
Binder Hamlyn	14
Thornton Baker	12
Stoy Hayward	10
Robson Rhodes	8
Spicer and Pegler	7
Finnie Ross Allfields	6
Pannell, Kerr, Forster	6
Dearden Farrow	4
Neville Russell	4
P. D. Leake	4
Cape and Dalgleish	3
Saffery Champness	3
Berke Cohen Fine	2
Dias Goodman	2
Dutton Moore	2
Farmiloe and Co.	2
Hacker Young	2
Hazelwood and Co.	2
Hodgson Harris	2
Jones and Partners	2
Kidsons	2
Leigh Carr	2
Longcrofts	2
Lovewell Blake	2
Simmons Cohen Fine	2
Others	88

Source: Peat Marwick.

Part of Granville & Co's share trading room. Source of graphs: Spicer and Pegler

USM growth matched by that of its smaller rival

Over-the-Counter Market

WILLIAM DAWKINS

THE USM's breakneck growth of the past four years has been matched by that of its smaller rival, the over-the-counter market.

The OTC, a collection of telephone share markets conducted outside the stock exchange, has more than doubled in size in the past year to 18 months. There are no centrally collected figures—regulation is one of the OTC's greatest problems—but it is estimated that the 15 leading market makers quote prices in more than 150 companies' shares.

Five years ago, there was only one OTC market maker, Granville and Co, quoting prices in about 20 stocks.

Granville alone — formerly known as M. J. H. Nightingale — was by the end of last year quoting prices in 30 companies' shares with a total capitalisation of £200m, making it the leading OTC dealer in terms of market value.

Harvard Securities, which makes a market in 57 OTC stocks with a joint capitalisation of £100m, estimates that the entire OTC is currently valued at about £575m, making it about a fifth of the size of the USM.

Last year, Harvard reckons that 43 companies joined the OTC, raising £33m in new money in the process, while existing companies raised £6m in rights issues.

One reason for the OTC's growth is that it makes investment in high-risk ventures a comparatively cheap gamble. OTC investments generally qualify for Business Expansion Scheme relief, under which individuals may deduct the price paid for their shares from their total taxable income so long as they hold onto the shares for five years.

USM investors are denied this incentive. The Stock Exchange has long campaigned to have the two markets' tax treatment brought into line, but the Treasury has so far appeared unsympathetic.

The OTC's expansion is also believed by some observers to have been assisted by the rigorous requirements of a USM quotation. It has certainly proved a useful outlet for green-field companies which have begun to trade and have been denied a USM quotation because their records are too short to qualify for standard admission, but too long to let them get in as start-up ventures.

Accountants Spicer and Pegler point out in a study of the OTC to be published shortly: "Licensed dealers have shown a readiness to take to the OTC markets companies who are unable to meet the criteria set by the SE for admission to listing or to the USM. Thus, a number of the companies to have obtained OTC quotations recently will be seen to have either very short or volatile trading records."

The OTC has also provided an opening for companies which are simply too small to justify the costs of a USM quote. Spicer and Pegler estimate that 40 per cent of the OTC's new issues in the year to last October were floated on a market value of £2m to £5m. The average market capitalisation for USM companies is £10.6m.

That is not to say, however, that the entire OTC consists of small, highly speculative propositions. Indeed, it had its origins through Granville as a way for long established family companies to market shares, while at the same time protecting their independence by releasing less equity than would be required by the SE.

They include groups like James Burrough, the distillers, Bardon Hill quarries, and the Airsprung bedding company. The average proportion of equity available to the public on Granville's market is around 5 per cent, as against 34 per cent on the USM.

> One reason for the OTC's success is that it makes investment in high-risk ventures a comparatively cheap gamble

Unlike most of the rest of the OTC, Granville will only deal as an agent on a matched bargain basis, and does not hold its own line of stock as a principal. And in most cases, it is instructed by the company not to permit share purchases by investors who may be hostile to the group's management.

OTC market makers would argue fiercely that the quality of information and depth of disclosure required from OTC flotation candidates is very similar to that demanded from their USM counterparts.

Patrick Harrex, financial investigations manager for Spicer and Pegler, agrees: "In our practical experience, there is no difference in approach," he maintains.

The real difference is in the conduct of the aftermarket, where the OTC has been criticised for the conflicts of interest involved when an issuing house is frequently the only broker and jobber in a company's shares, as well as being an investor. Most OTC stocks are quoted by a single dealer, although a handful of the more popular ones are dealt in by up to four market makers.

Conflicts of interest could easily arise if a dealer is keen to get rid of a long line of stock in bearish times, and there are fears that the OTC's dual capacity dealers could be much more vulnerable to collapse in poor market conditions than a conventional single capacity stockbroker.

Moreover, the OTC has given rise to concern that many of its stocks are trading at artificial prices because the markets for them are so thin. Spicer and Pegler estimates that about 10 per cent of the OTC's prices are quoted "basis"—the price at which the dealer would trade if any stock was available.

OTC market makers have attempted to regulate themselves, but have been hampered by a failure to agree on the shape of an overall regulatory body. Four dealers belong to the British Institute of Dealers in Securities (Bids), which was set up in November 1983 to impose self-regulatory standards and to provide a compensation fund.

Another four belong to the National Association of Security Dealers and Investment Managers (Nasdim), which is recognised by the Department of Trade as a self regulatory body. But it has a very wide membership and does exist, like Bids, purely to police the OTC. The rest belong to neither.

Nasdim and Bids have been discussing a possible merger for some time, but for the present, the regulation of the OTC is uncertain.

Meanwhile, the boundaries between the OTC and the USM are beginning to blur, just as traditional distinctions in the rest of the City are beginning to fade in the face of the revolution taking place in the securities industry.

Last June, Granville took a 29.9 per cent stake in R. A. Coleman, a small Welsh stockbroker, with plans to move to full ownership when SE rules permit. Coleman is using the purchase cash to establish a London office specialising in small quoted companies.

Hill Woolgar, one of the four dealers quoted on the OTC, is expected to seek a USM quotation shortly, and Harvard created a furore towards the end of last year when it opened an independent market in 13 USM shares. It currently offers prices in 60 USM stocks and plans to cover the entire unlisted market before 1985 is out.

Apart from concerns that the OTC cannot develop properly in the absence of an overall regulatory body, another key anxiety for the future must be how the market will handle the need for Business Expansion Scheme (BES) investors to realise their investments in around three years' time.

Spicer and Pegler warns: "There must be a risk that share prices may be depressed if large scale disposals take place and that opportunist predators may seek to take advantage of the opportunity to build up substantial stakes in BES companies." That prospect alone should give the regulatory authorities something to chew on.

Ultimate seal of approval

Stockbrokers and Merchant Banks

STEFAN WAGSTYL

BY THE traditional standards of the City, The Unlisted Securities Market last year won the ultimate seal of approval.

In bringing Ramco Oil Services to the market in April, J. Henry Schroder Wagg became the last of the blue-blood merchant banks to sponsor a USM issue.

It was a perhaps belated step down the path which its rivals among London's top merchant banks had followed up to two years earlier—Kleinwort Benson, Lazards, Hill Samuel and S. Warburg all sponsored USM issues in 1982, and Morgan Grenfell joined the bandwagon in 1983.

But the presence of these leading City names on the lists of USM sponsors is far more than a mere sign of the market's improving reputation. It is recognition of the fact that the USM has become—at least to some merchant banks—an important and growing source of new business. And it is a sign that these banks are prepared to battle with each other and with other issuing houses for their share of the emergent quoted companies.

In each case, what attracts the big merchant banks is not the fees to be earned handling the new issue, which may typically be £75,000, but the much larger profits to be won from the client's subsequent corporate activities—like rights issues and acquisitions.

Mr Nicholas Jones, a Schroder's director says: "We are looking for new and exciting companies which are going to be some of the winners of stock market in ten years' time."

Among former USM companies which have been particularly active on the takeover trail are Aidcom, Tunstall Telecom, Oceonics Group, and Micro Focus, all of which are now fully-listed.

However, not all merchant banks have been equally energetic or equally successful in their USM activities. Among its earliest and most consistent supporters, as the accompanying table shows, have been County Bank (part of National Westminster Bank), top of the list with 13 USM companies to its name, and Barclays Merchant Bank, with eight.

In each case, according to Mr Alan Comber, partner with accountants Peat Marwick, the link with a clearing bank was important as a source of contacts with business communities across the country.

One rival merchant banker said the example of County Bank in particular had led others, notably Hambros Bank, to devote more effort to the USM.

Overall, the merchant banks and issuing houses have brought to the market about one third of the 337 companies to join the USM since it was started in 1980—the rest have been launched by stockbrokers acting alone.

This proportion has not changed significantly over time, although larger merchant banks have gradually won business from the non-stockbroking issuing houses.

However, the banks and issuing houses (counted together) have succeeded in gaining a growing proportion of bigger companies coming to market—precisely those which might be expected to generate the most corporate activity, and fees, in the future.

Of companies with an initial market capitalisation of £15m or more, banks and issuing houses sponsored 5 out of 20 in 1980-82, and 19 out of 34 in 1983-84—an increase from 25 to 56 per cent of the total.

What advantage—if any—do the USM companies themselves get from increased attention from the merchant banks? Companies are obliged to have a broker—the question is whether it is worth paying an extra £30,000 to £40,000 for merchant bank services in a typical placing which is already costing say £120,000 in fees to brokers, accountants, lawyers and others.

Merchant bankers argue that these extra fees will often be more than covered by the higher price they claim they can get for a company's shares, given the wider range of funds in which they can place shares. "We certainly can give extra placing power and we may get a better price," says Mr Jones of Schroder's.

The banks also argue that is worthwhile getting a second team of professionals, in addition to the brokers, to examine and value a company. Mr Simon Metcalf, a director of County Bank, says that in preparing a flotation a broker may face potential conflicts of interest because his "prime duty" is to his investing clients and not to the candidate company.

Brokers might answer that the banks are in a similar position since they must also consider the interests of funds where the shares are to be placed.

Mr David Cohen, a partner with Simon and Coates, argues that cost is the main reason for not using a merchant bank. "If money were no object I would be delighted to work with a quality merchant bank."

For companies capitalised at up to £20m it is no disadvantage to come to the market solely with a stockbroker, he says. However, for "mammoth companies" worth £25m and more, a merchant bank would be "a pre-requisite."

There are contrasts between the number of issues which individual brokers have brought to the market on their own, and the number in which merchant banks or issuing houses have been involved.

Phillips and Drew, which had brought 22 companies to the USM by the end of last year (more than any other broker), worked with merchant banks on about half of these flotations. Two other fairly prolific USM brokers, Capel-Cure Myers and Grieveson Grant, have also frequently worked with the banks.

But Simon and Coates, a pioneer of the USM among brokers, was involved with merchant banks in just two of its 16 flotations. And a smaller but energetic USM broker Margetts and Addenbrooke has carried out all of its nine flotations unaided.

These differences are not a simple measure of a broker's enthusiasm in advising clients on whether to involve a bank. Frequently, it is the merchant bank which has taken the iniative and brought the business to the broker.

Mr Cohen does accept that a working relationship with a merchant bank is important to a young quoted company. But he argues that these links can be best and most cheaply formed after the flotation. "Merchant banks have expertise par excellence in corporate development where stockbrokers do not compete."

But the acid test of a flotation is the market's reception of the new company. A sponsor's worth is impossible to measure directly since the share price in influenced by so many different factors.

One leading fund manager said that it was always reassuring to find that a merchant bank as well as a stockbroker was putting its name behind the issue. "It adds a little something," he said.

But another manager said that for his fund the name of a "quality broker" was as good as that of a "quality merchant bank."

The unlisted securities market flotations by sponsors

To December 31 1984

SPONSOR	Number of flotations
Simon and Coates	16
County Bank	13
Phillips and Drew	13
Capel Cure Meyers	12
Margetts and Addenbrooke, East Newton	9
Hambros Bank	8
Laurence Trust	8
Laing and Cruickshank	8
Samuel Montague	8
Schaverien	8
Smith Keen Cutler	8
Barclays Merchant Bank	8
Fielding Newson-Smith	7
Kleinwort-Benson	7
Le Mare Martin	7
Tring Hall	7
Hill Samuel	7
Stock Beech	7
Greene	6
L. Messel	6
Charterhouse Japhet	5
Laurie Milbank	5
de Zoete and Bevan	5
Hoare Govett	5
Grieveson Grant	4
James Capel	4
E. B. Savory Milln	4
Albert E. Sharpe	4
Cooke Lumsden	4
Heseltine Moss	4
Rowe Rudd	4
Hill Woodger	4
Northcote	4
Quilter Goodison	4
Henderson Crosthwaite	4
Panmure Gordon	3
Statham Duff Stoop	3
Sheppards and Chase	3
Richens Harrison	3
Montagu, Loebl, Stanley	3
Strauss Turnbull	3
Henry Ansbacher	3
Lazards	3
Morgan Grenfell	3
Lloyds Bank International	3
Allied Irish Investment Bank	3
Singer and Friedlander	3
Coni Gilbert and Sankey	2
A. J. Bekhor	2
Charlton Seal Dimmock	2
Foster and Braithwaite	2
Murray	2
Noble Grossart	2
Standard Chartered Bank	2
Antony Gibbs and Sons	2
Arbuthnot Latham	2
London Venture Capital Market	2
Aitken Hume	2
Others	51

Source: Peat Marwick.

Bluebird joins the market

LATEST recruit to the USM is Bluebird Toys. Currently British Toy Producer of the Year, the company was started in 1981 by chairman Mr Torquil Norman (ex chief executive of Berwick Timpo). Over the last four years, turnover has increased from £1.25m to £5.5m. Mr Norman is pictured right with Mr Tom Charnock, managing director on his left.

Profile: Valin Pollen

By Stefan Wagstyl

Climbing high after take-off

WHEN Valin Pollen International joined the Unlisted Securities Market a year ago it was criticised in some staid corners of the City for its glossy and expensive picture-packed prospectus.

"It was a little bit over the top," says Mr Reg Valin, who founded the advertising and public relations agency with Mr Richard Pollen.

But even VPI's critics would admit that the company has lived up to its extravagant opening gesture. The shares floated at 110p shot up 229 per cent over 1984.

VPI has been a leader in a sector of high-flying stocks—if computer and electronics companies were the USM darlings of previous years, 1984 was the year of advertising, public relations and marketing groups.

Besides VPI, Addison Communications, KLP, and Craton Lodge and Knight all joined the USM last year.

But the strong performance of these shares inevitably raises the question whether they will fall from grace in the same way as many of the USM's computer companies did last year. And if the sector declines, how will Vallin Pollen fare?

The strongest point in VPI's favour is its track record. This month it announced pre-tax profits up 119 per cent to £603,000, easily beating a flotation forecast of £425,000. Profits have at least doubled every year since the company was formed in 1979 when Mr Valin and Mr Pollen resigned from their top executive jobs at the Charles Barker agency.

"We feel we are keeping up with what the market expects of us," said Mr Valin.

VPI primarily serves companies wanting to improve their image in the financial and commercial communities, both in the UK and abroad. It does very little consumer-related work.

Mr Valin believes that the agency's strength lies in offering a broad range of services; public relations, advertising, design and research.

No other UK agency is so broadly-based, says Mr Valin. The competition is fragmented, divided between separate advertising, public relations and design agencies.

To cope with the constant increase in business—turnover has risen from £825,000 in 1979-80 to £17.6m last year—Valin Pollen has rapidly expanded staff to 145 people. Mr Valin says that recruitment is one of his most important concerns—a point borne out by the fact that it took VPI eight months to find a creative director, before making the appointment two weeks ago.

VPI is also on the look-out for further acquisitions following the purchase of McAvoy Wreford and Associates, a corporate communications agency, in September. It is particularly anxious to expand abroad, especially in the U.S.

Like other groups which thrive on publicity, VPI has derived considerable benefits from joining the USM. Mr Valin says that the public launch has helped to attract new business and new staff.

More directly, it brought VPI some of its biggest contracts—public relations work for the flotation of Reuters and for the forthcoming privatisation of British Airways.

Mr Valin also hopes that the flotation will allow VPI to fund future acquisitions with shares. But he admits that the high price/earnings multiple of VPI shares might pose problems. Potential investors would clearly be more attracted to the shares if they were not so highly rated.

Valin Pollen is riding the crest of a wave of demand from large companies for publicity services as they become increasingly aware of how they can support their share prices by improving communications with investors.

It has been relatively straightforward for Valin Pollen to demonstrate success since share prices have risen steadly, with breaks, over the past five years.

The agency has yet to be tested against unfavourable market conditions. But Mr Valin says that it would be as important for clients to maintain their links with investors in a bear market as in a bull market.

Parts of the agency's work, for example, the production of annual reports would be largely unaffected, he says. And if necessary Valin Pollen could trim costs and recruitment as other companies might.

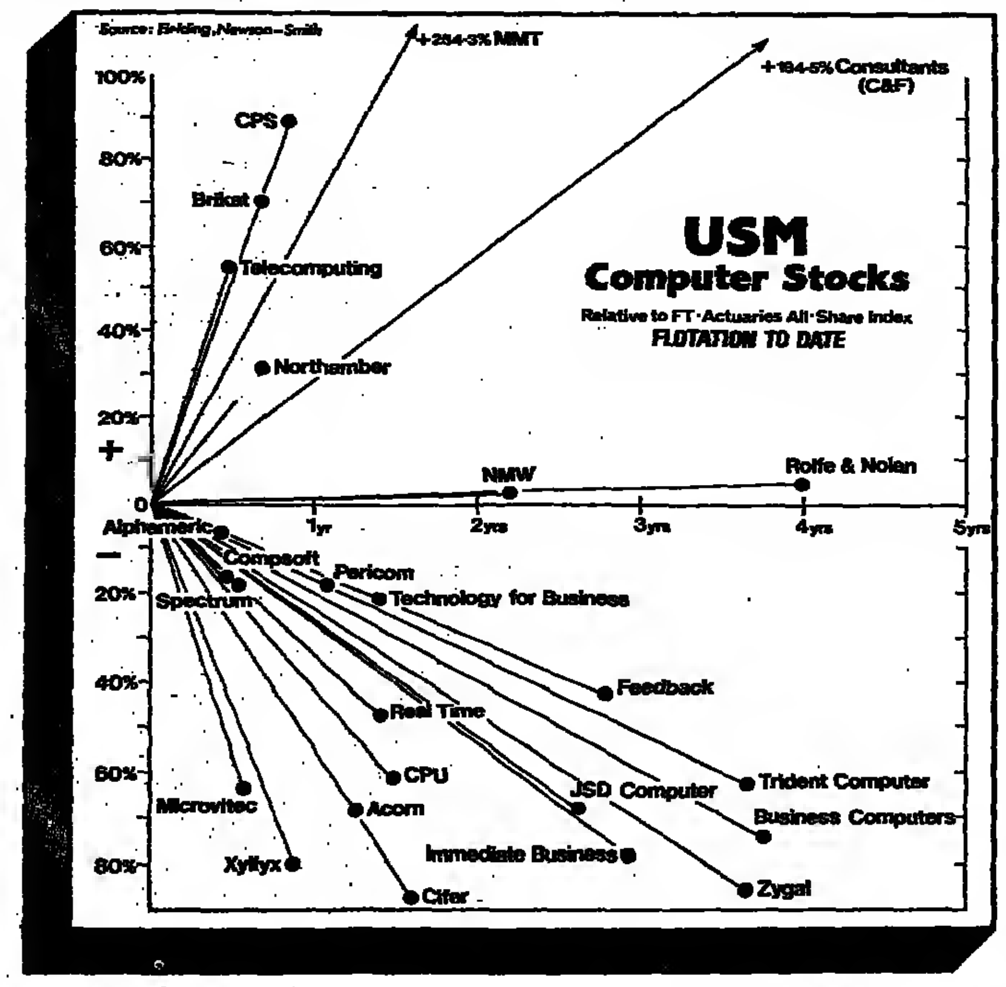
Mr Neil Blackley, of James Capel the agency's stockbroker, believes that the successful example of Valin Pollen and others will tempt more companies in advertising, public relations and related fields to come to the market, particularly if they are keen to make acquisitions.

More choice would allow investors to become more selective within the sector, said Mr Blackley.

Under these conditions some agencies would inevitably find it difficult to defend themselves from takeovers, while others might become predatory.

For the successful agencies there is the example of Saatchi and Saatchi to follow — in the eigth years since its flotation its market capitalisation has grown to £352m.

Unlisted Securities Market 7



Profile: Cifer — By Terry Garrett

Brought to its knees

THE TALE of Cifer is a USM classic. Like others it launched itself on the market fair oozing glamour and heady growth prospects only to find all too quickly that limited size and spread of products had it — and the share price — on its knees.

In less than two years Cifer has been transformed from a fashionable investment into a loss maker with a bombed out share price. At the end of last year it appeared in Fielding, Newson-Smith's review of USM computer stocks among an investment list was described as a "kamikaze cocktail of recovery and start-up situations."

Cifer, a manufacturer of microcomputers and video terminals, joined the swelling ranks of USM high-technology stocks in May 1983. Some 650,000 shares were offered to an enthusiastic public by way of a sale by tender at a minimum price of 115p.

On the forecast profit of £1.35m, the shares were rated on a prospective p/e of just under 28. The net proceeds of £2.2m, were to be used to expand the company's manufacturing capacity and develop a new generation of products. Within three months Cifer's stock was changing bands at 188p.

Cifer achieved its profits forecast to September but with very little to spare because the final quarter had been hit by an unforeseen downturn in the microcomputer market and a shortage of key components. Market enthusiasm waned.

The next blow to investor confidence came in March when the chairman, Mr Oliver Newman, told shareholders in his annual report that the costs of opening the South Wales manufacturing plant and introducing new products would "eleminate profits" in the first half of 1983-84.

In the event the 28 weeks to April 14 1984 produced a staggering £977,000 loss and the dividend that had been forecast at the time of the offer for sale was omitted.

What had gone wrong? Demand for its mature existing eight-bit micro collapsed in line with the market before its new products, which had been hit by technical problems, could fill the gap. In six months Cifer had spent £400,000 on product development and £300,000 on establishing a factory in Cwmbran without the support of consistent sales.

The company's borrowings had climbed to almost two-thirds of shareholders' funds and the share price had collapsed to 65p—little more than a third of its value less than a year before. The shares were destined to drop as low as 18p before they could find a foothold.

Management changes had compounded the problems, though the disruptions had not stopped. Last June, two weeks after opening the Welsh factory, Cifer made 128 of its staff redundant at its plant in Melksham, Wiltshire.

Within weeks there was a top management reshuffle with Mr Terry Cosgrove who was managing director stepping down to a new post as commercial director.

The redundancies were made in an effort to quickly bring down overheads and return the company to the black. But losses are expected to have continued into the second half. Outside forecasts of a £1¼m loss for the full year to last September can be found. The new management team is in place, however, and if it can get its latest products flowing from the factories in sufficient quantities Cifer could bounce back in the current year. Confidence, however, has been shaken and the share price has been flat on its back for months.

With hindsight Cifer's problems seem fairly obvious and possibly could have been avoided, at least in part. As a lesson for investors, the whole saga pinpoints the vulnerability of small companies in developing markets which are relying heavily on one product, even if there are a number of derivatives.

Companies, such as Cifer, can be hit by a "coincidence of problems" which they simply lack the financial muscle and perhaps, management, ability to cope with.

Size, of course, is crucial and with a healthy revenue flow most companies can ride out temporary hiccups in a market or product development. Yet possibly even more critical is to have a fair spread of products.

Acorn, for example, which must be one of the best known names on the market with its BBC computers stumbled badly when it tried to enter the U.S. market. Despite its size, Acorn is still essentially a one product compeny and that marketing mistake cost the group heavily in terms of stock market rating.

The market generally is now more alive to the potential pitfalls facing computer hardware companies which have risen rapidly on the back of a highly successful specialised product. Once the hardware companies dominated the list of fashionable high-tech investments but that has perceptibly changed.

Software operations (generally with a broader base) and the distribution companies are attracting more attention. While they may not offer such spectacular growth potential as some hardware businesses they do reward shareholders with more stability.

Yet a few recent entrants among the software companies are displaying the same dubious qualities os some troubled hardware houses—success built almost exclusively on one or two product lines.

When those products reach the end of their market cycle problems are bound to arise unless the next generation of products is firmly in place. And Cifer is a fine example of a company which thought it had that next generatioo firmly in its grasp but alas, had not.

Amount of research a problem for brokers

THE USM roll call looks set to lengthen considerably in 1985 with brokers and accountants reporting a higher than ever number of companies being nursed in the wings for a flotation within the year.

As the market grows in size and apparent stability, and attracts more investors, it poses a problem for stockbrokers. How many companies should they research and into what depth? Are there enough clients interested to justify the cost of research?

Hoare Govett, has probably embraced the USM with greatest enthusiasm among stockbroking firms. It set up its USM service towards the end of 1983 with theaim of providing a genera service which would inclnde an in depth study of a number of stocks; the publication of a director (now annual) providing information on all unlited companies; and a weekly USM review which includes a comment on the week's performance of the market with price changes and statistical information.

The firm later extended its service to Topic so that clients can call up information on their screens. Hoare Govett now provides a critique of all new prospectuses with a genera comment on new issues.

The information is printed from time to time for reference purposes. A detailed database has been built up and this is of assistance both to investors in determining trends, and to its corporate finance department in planning a new flotation.

Grieveson Grant has built up a special USM service which seeks to provide clients with a regular review of new issues and results. The pace at which the market is growing is leading the firm to review its coverage and look for ways of following the burgeoning number of stocks.

"As well as providing an overall picture of the market we are expanding the analytical side, and the number of in-depth reviews of stocks," said Isabel Unsworth of Grievesons.

The firm already gives detailed coverage of oil stocks on the USM and Rule 163. Such specialist coverage will gradually be extended to other sectors, which might include oil services, retailing and breweries.

Simon & Coates is another stockbroker which has established a reputation for sound advice on the USM, though its approach has been different to Hoare Govett. It has concentrated on the electricals sector, both as a new issues sponsor and as a market researcher.

"We have thought of extending our coverage, but it is a questioo of cost effectiveness," said Mike Whitaker, a partner at Simon & Coates.

The average levels of trading in established USM stocks is low and for small amounts because of the size of the companies.

Such dealing that there is tends to be done through the company's brokers, thus limiting the amount of business available to other firms. By concentrating on electrical stocks, Simon & Coates has managed to build a healthy business, both in bringing new companies to the market and in the marketing of their shares.

The small investor still plays a relatively small part in the USM. Institutional investors account for the bulk of the business so stockbrokers address themselves mainly to institutional needs.

Hoare Govett, one of the larger corporate brokers decided it was a sector that should not be neglected. "There is a climate of greater awareness of smaller companies and their needs," said Geoff Douglas of Hoare Govett. The firm, feels it would be short-sighted to ignore a sector which includes some of the growth companies for the future.

There are a few specific USM based unit trust funds, from Britannia Arrow, Ivory and Sime, and Temple Bar Fund Managers. There are others which concentrate on smaller companies, not limited to the USM. For this reason, James Capel decided to base its research more broadly on small companies which fitted certain criteria.

"We look for companies with good prospects of above average earnings per share potential or managemeot turnaround situations — not cyclical situations," said Neil Blackley of James Capel. The firm also tries to cover certain "niche" sectors such as marketiog, advertisiog and public relations.

There wil always be a limit to the depth of research available on USM stocks, reflecting the limited volume of trading which most of them generate. The market has established itself sufficiently, however, to win the attention of some larger stockbroking firms which aim to provide a comprehensive service to clients.

Alison Hogan

Unlisted Securities Market 8

Fewer hammering at the door

Start-up Ventures

WILLIAM DAWKINS

THERE ARE signs that the USM's somewhat racy image is fading into respectability.

The fact that it had acquired such a reputation in the first place owes much to the exotic band of start-up ventures which have been attracted to the junior stock market. They include concerns as diverse as a Welsh gold mine, a three-dimensional camera maker, a group which turns rubbish into ooergy, and a creator of syothetic protein.

Yet the rate at which so-called greenfields companies are coming to the USM appears to be falling steeply. It has been well ovor six months since a start-up last knocked on the Stock Exchaoge's door, and that was when Applied Holographics, a producer of high-speed hologram copiers and Hobson, an aluminium die maker, joined the USM within a week of each other last June.

Normally, USM entrants must have at least three years' audited accounts behind them to qualify for a quotation. However, companies with a very short trading record or no record at all are sometimes admitted.

The SE's rules say that such companies "would be expected to show that funds were required to finance a project or product which could be shown to be fully researched and costed, and where the expected time-scale before income started was not unduly protracted."

Companies which have progressed beyond the research stage and have started to exploit commercially their new projects will find it very difficult to gain admission to the USM unless they can show a three-year trading record.

One reason for the declino in tho number of greenfields companies joining the USM might be that professional advisors are increasingly realising that a public flotation is not necessarily the most appropriate way to raise money for such ventures. The SE is also concerned about the uncertain quality of some of the start-ups which have joined the junior market.

Another deterrent to unquoted greenfields vontures considering a USM flotation is the rough reception which investors have accorded to currently quoted start-ups. The shares of ten out of tho 13 greenfields ventures on the USM were trading at helow their issue prices at tho timo of writing.

Investors' patience has been sorely tried by a rash of rights issues, persistent losses and simmering management problems.

Gremlins encountered by the USM's start-ups in the past yoar include a surprise £2.35m cash call by Immediate Business Systems, a portable billing equipment maker; tha resignation of the technical director of Synterials, the developer of synthetic industrial materials; serious trading problems at Applied Botanics, the potplant producer; the disappearance into private ownership of Airship Industries; and most recently, an acrimonious battle in the High Court between the board of Hobson and their managing director.

Their problems point right to the heart of the most sensitive aspect of the task which the USM's creators set for it: to make it easier for young companies to join tho stock market without reducing standards to the point at which its own reputation and investors' interests would be jeopardised.

But in spite of the USM start-up ventures' rocky record, most observers would argue that the SE got the balance right. After all, it would be surprising if a community of almost 340 companies did not prodoce a few duds, and the greenfields are not the only high risk propositions on the stock market.

However, their fate does invite the question of why businesses which are similarly long on hope and short on profits are genorally getting a warmer reception from the UK's burgeoning private venture capital markets.

One answer is that private venture capital investors can broadly afford to take a more robust attitude to risk. For a start, they are likely to get in at a lower price, since start-ups raising cash through private placings havo tended recently to achieve lower earnings multiples than they might have expected on the USM.

And if the project qualifies for Business Expansion Scheme tax relief — an incentive denied to USM investors — private shareholders will be locked in for five years on pain of losing their tax breaks, helping to ensure a stable investor base for the company.

Moreover, institutional investors tend to feel happier when the problems which most greenfield companies will inevitably encounter in their early years can be quietly solved behind closed doors, and without attracting the unpitying glare of publicity which is usually cast on struggling USM start-ups.

Private investors are also less exposed than public ones to the risk that the value of their shares will be knocked howlegged by a surprise announcement.

The market in most USM start-up companies' shares is so restricted that it is not worth stockbrokers' while to devote much research to them. As a result, unforeseen and poorly understood hitches can have an exaggerated effect on share prices.

The SE's disclosure requirements can also be a drawback for greenfields companies, especially when sensitive nogotiations have to be made public. One venture admits to having lost an important contract because it was obliged to make a public statement about the uncompleted deal following an unusual movement in its share price.

On the other hand, the same company has also collected £8m from USM investors in rights issues. Says the chairman: "For us, you could say it hos been a bit of a love-hate relationship with the USM."

Swelling ranks of millionaires

Striking it Rich

TERRY GARRETT

THE millionaires' club they call it. And not surprisingly, for the advent of the USM four years ago has probably done more to swell the exclusive ranks of this country's multi-millionaires than all the newspaper binges or gaming tables in London's swish nightspots put together.

According to accountants Touche Ross, who keep a close watch on the market, by the end of last year 322 millionaires had been created by bringing their companies to the USM. Some individuals hava achieved spectacular sums. For example, a few eyebrows were raised when John Aspinall and Sir James Goldsmith raised £9m between them when they floated tho Aspinalls gaming club on the market.

Acorn, which manufactures the BBC microcomputers, has made very rich men out of Herman Hauser and Chris Curry. At the height of Acorn's stock market fortunes last year Herman Hauser's stake in tho company was worth inexcess of £100m.

Since then Acorn has fallen from grace in the market's eyes and the shares have taken quite a mauling. That highlights a significant feature of many of tho new generation of millionaires. Much of thoir wealth is more apparent than real.

Their wealth in large part is tho shares they hold in thoir companies—shares that they are unlikely or unwilling to sell in large numbers. And share prices can be notoriously volatile, especially among some of tho smallest USM companies. There are those directors who are in and out of the "millionaires club" like yo-yos as tho value of their share certificates goes up and down.

Figures from Geoffrey Douglas, the USM guru at stockbrokers Hoare Govett show that the average amount of equity issued to the public at the time of flotation is 25 per cent. The average free equity in quoted USM companies is 34 per cent. The difference suggests that after the initial new issue directors then gradually sell small parcels of stock.

But a more likely reason is that USM companies use their quotod paper to make acquisitions, thus diluting the founders' investments and creating more free capital.

Selling of shares by the founders, other than the initial money raised on flotation, is actually quite rare. Bnt, of course bearing in mind that all these companies have come along in the last four years most of the new millionaires have not worked their way through the first lump sum yot.

Investors, whether private individuals or institutions, tend to have mixed feelings about the amount of shares sold hy the directors. Most like to see a package of new shares, raising money for the company, and existing shares from the founders at the time of the new issue.

Of course, not all companies need a cash injection, but still it seems surprising that directors who are busy raising money for themselves cannot see opportunities in raising money for their company to accelerate its growth. If the market believes that the founders are doing little more than cashing in a large number of chips while the going is good the issue is not going to attract much of a response.

But after that initial fund raising most investors prefer the founders to keep hold of their equity stakes. It displays a sense of confidence in, and commitment to, the company which gives some comfort to outside shareholders.

Of course any determined selling by major shareholders inside the company would bound to be intorpreted sourly in the market and the share price could easily slip into free fall.

Indeed many investors, especially institutions running USM funds, expect to see the holdings of leading personalities in the companies they backing to be locked in, at least for a year after flotation.

Sponsors often insist that the directors sell no more shares for a year after the initial new issue. In some cases the directors are committed for far longer, especially in service companies where the main assets of tha business are so often its people.

Not that the handcuffs cannot be broken on the odd occassion. Take the case of Synterials, which came to the market just over a year ago in one of the largest ever fund raising exercises on the USM — four fifth of the capital went on sale raising £20m.

Sales by the company, which is based upon making industrial components from synthetic materials, proved disappointing, but the real blow to the share price camo last September when Mr Ken Happel, the U.S. inventor who developed the company's process, resigned due to ill-health.

Despite his agreement to retain shares in the company until the end of 1985 he was allowed to sell his remaining interest, amounting to just 2.68 per cent.

Equally thore are a large number of USM companies which the investing institutions would be more than willing to see tha directors make available some more shares. The USM is notorious for thinly traded shares, and stock in well respected companies is rarely easy to pick up at sensible prices.

It is with these companies where the City welcomes a few more shares from the directors. Renishaw, a maker of sensitive measuring equipment, is a casa in point. When the directors sold their entire entitlement to last October's one for ten rights issue, the City was happy to take up the extra stock.

If there is a message for the paper millionaires it is that the market will quite cheerfully turn some of that paper into hard cash as long as the company appears to be progressing and that the flow of shares is controlled in a sensible fashion.

And if there is a criticism it is that some of those businessmen were in too much of a hurry to join the club. The USM's list of failures and duff performers is littered with companies which came to the market too soon.

Instead of joining the USM some of those companies should have considered tapping the plothora of venture and development capitalists who are more willing to live with an erratic performance in young operations. And there is no share price or small investors to worry about.

But, of course, venture capitalists are not so free and easy with earnings multiples in the high twenties as stock market investors and that means the founders have to part with more shares for less cash. That cramps the potential later on for getting a good seat in the millionaires' club.